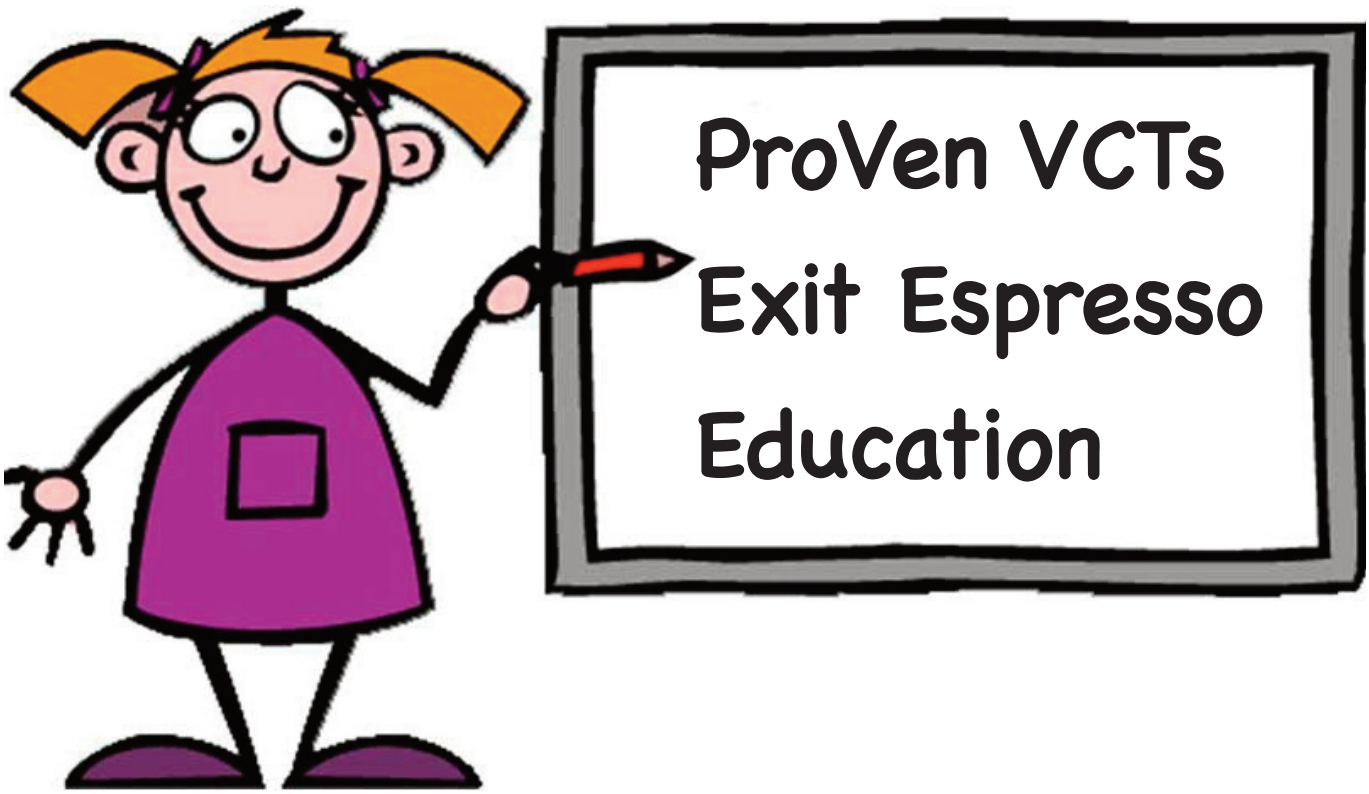
ProVen news

Spring 2014 Magazine for the ProVen VCTs



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Welcome to ProVen News

Stuart Veale
Managing Partner at Beringea

2013 was a busy year for Beringea and the ProVen VCTs, with the highlights including several profitable investment realisations. In November, Beringea sold the ProVen VCTs' stake in Espresso Education, a leading provider of video rich digital content for schools. The exit marked the end of one of the VCTs' longest, and arguably one of the most successful, relationships with a portfolio company (p4&5).

Following the realisation of the Espresso investment, the Boards of ProVen VCT and ProVen Growth & Income VCT (PGI VCT) announced a second interim dividend for the year ending 28 February 2014. PGI VCT will pay a dividend of 2.5p per share on 28th February 2014 to shareholders on the register on 7th February 2014 and ProVen VCT will pay a dividend of 2.5p per share on 28th March 2014 to shareholders on the register at 7th March 2014.

2014 looks like it could be a good year with the signs of economic-recovery currently giving confidence to the marketplace. We have a strong pipeline of further opportunities for the ProVen VCTs to invest in dynamic, rapidly growing UK businesses.

To capitalise on these opportunities, ProVen VCT is raising £20m through an offer for further ordinary shares. All shareholders should have received a copy of the prospectus and our investor guide, however if any ProVen News readers require additional copies please email info@beringea.co.uk or call us on 0207 845 7820 or download a copy at www.provenvcts.co.uk. Further details of the offer are on p7.

Stuart Veale

Beringea Wins 'Exit of the Year' Award

Beringea, the growth capital investor that manages the ProVen VCTs, has won the award for the VCT Exit of the Year at the unquote" British Private Equity Awards 2013, for its divestment of service design consultancy Fjord. In May 2013 the business was sold to Accenture (as featured in the previous edition of ProVen News).

Beringea's Chief Investment Officer Trevor Hope, who led the original deal and sat on the board as a non-executive director, commented: "This is an exciting time for Fjord. The deal with Accenture will allow the business to fulfil its potential and it has also delivered great returns for the ProVen shareholders." The award follows Trevor's inclusion in the British Interactive Media Association (BIMA) Hot 100 Hall of Fame.

Trevor Hope, Chief Investment Officer at Beringea

Award Winning InSkin Media

Having been named 'Top Company' in the IPA's Media Owner Survey in Spring 2013, ProVen VCTs' portfolio company InSkin Media also collected the top prize of 'Best Media Owner' at the IPA Media Owner Awards, held last November.

Based on the results of the IPA's Media Owner Survey, the awards recognise digital media owners who provide the highest levels of service to media and advertising agencies. Visit www.inskinmedia.com for more information.

BlisMedia Launches PATH

Portfolio company BlisMedia, a prominent advertising technology company, has continued to show robust growth in 2013 - launching a number of innovative digital targeting products, signing major industry partnerships and working with over 100 of the world's biggest advertisers.

In December 2013 BlisMedia launched PATH, a service which allows advertisers to “re-target” consumers when they access the internet from any device and which knows where they have physically been. No other location based advertising company in the UK offers this level of sophistication, precision targeting and understanding of data to develop targeting capabilities. Blis uses proprietary analytics and the most advanced real time bidding location platform in the market to make this possible.

PATH has been launched in beta test phase with partnerships secured from Tesco, Mini, Fitness First and Boots. The product launch added another product to the existing suite of digital display targeting options already available via BlisMedia. Visit www.blismedia.com for further information.

Cogora Acquires Pulse

Portfolio company Cogora, previously Campden Media, has acquired Pulse, the market-leading magazine and website for UK general practitioners.

Cogora, a media and marketing services company specialising in healthcare, will build on the brand’s 53-year heritage to further strengthen its market position, with particular focus on its related events portfolio.

Pulse will be integrated with Cogora’s current portfolio of healthcare brands, which includes Nursing in Practice, Management in Practice and The Commissioning Review.

Commenting on the acquisition, Cogora Chief Executive John Pettifor said: “Pulse is the final piece of the puzzle for our primary healthcare portfolio. For many years we have been producing inspirational and incisive content for practice and community nurses, practice managers and, more recently, clinical commissioners. This acquisition means our reach across the UK’s primary care community will be far greater than any other company.” For more information visit www.cogora.com

CognoLink Rebrands

COGNOLINK

Portfolio company Cognolink is a primary research partner that connects investors and businesses to critical intelligence. The company had grown rapidly since it was founded in 2007 but the original branding had not changed. By early 2013 the senior management realised that the brand needed refreshing so that it could successfully communicate CognoLink’s vision and values, differentiate the company from its competitors, and create a platform for new products and services. In order to support the company’s growth, there was also a need to develop employer branding, to ensure that the company can attract the best talent. Cognolink embarked on a project to deliver a visually and verbally impactful brand which would achieve all of these objectives. The new brand was launched in October 2013 – visit the website to take a look at the results: www.cognolink.com

Espresso Education

Stuart Veale
Managing Partner at Beringea

How do you measure the success of a VCT investment? Each of the stakeholders involved has a different objective – although these are generally broadly aligned. For the VCT's shareholders, it is great financial returns which signal success. For the company receiving the investment, a key measure is the support and advice provided by the VCT Manager. To the UK Government, which provides tax relief to VCT investors to encourage investment into innovative UK businesses, success includes growth in the number of people employed, increased export revenues and a broader contribution to UK plc.

The ProVen VCTs' investment into Espresso Education, which has just been sold to Discovery Education, is an example which ticks all of these boxes. The investment not only generated a 3 times multiple on the VCTs' equity investment in the company, but the involvement of the VCTs, and their Manager Beringea, helped Espresso grow into an international business employing over 120 people, which has enriched the education of thousands of children.

It's a very pleasing outcome for ***Stuart Veale, Managing Partner at Beringea,*** *who was the ProVen VCTs' representative on the board of Espresso during the period of investment.*

What is Espresso Education?
Espresso was created in 1997 by former Editor of Blue Peter, Lewis Bronze, and technology strategist Tony Bowden. The initial concept was to deliver video news to the classroom - news that would be regularly updated and enrich the curriculum. Following an initial grant from the European Space Agency (ESA) and a number of successful trials, Espresso launched as a commercial service in 2000, at BETT (the world's largest technology in education event).

Thirteen years on and, again at BETT, Education Secretary Rt Hon Michael Gove is singling Espresso out for praise in his opening speech, commenting on how thrilling it is to see the way in which Espresso is using technology to bring the curriculum alive. Espresso Education is now the leading digital curriculum provider in the UK - trusted by over 11,000 schools. Its Espresso Primary service has been recognised as transforming the world of learning through its blend of visual media and interactive resources and setting the standard in the world of e-learning.

Beringea, through the ProVen VCTs, first invested in Espresso Education in 2001. What first attracted Beringea to Espresso?
Lewis and Tony's concept and their commitment to transforming education through the introduction of video content in the classroom environment was a compelling one. Espresso was and remains committed to enhancing learning and teaching experiences with its exceptionally high quality digital content - and it was clear from the start that the service would provide enrichment and context to the curriculum.

The initial investment was £850k and comprised a combination of equity investment and loan notes. We quickly realised, however, that given the standard and amount of content creation that was needed, further investment would be required for the company to be able to fulfill its potential. Over the life of the investment the ProVen VCTs invested over £4m to support the development of the company, some of which had already been repaid by the time we exited to Discovery Education.

What have been some of the biggest challenges for Espresso and how has Beringea supported the company through them?

We were invested in Espresso for 13 years and during that time we faced a number of challenges. In the early years, considerable investment was needed to support the creation of content. We were able to help Espresso strengthen its senior management team by helping to recruit the Group CEO and CFO and by introducing an experienced non-executive chairman.

More recently we have helped Espresso expand into international markets. In particular we were able to support the business in launching its services in the USA. Using Beringea's Michigan office as a base, the company was able to carry out trials and assessments with US educational professionals and leverage our local understanding of the US marketplace.

What do you feel has made Espresso so successful?

The product - video rich digital educational content - is exceptional. In the time we were invested in Espresso we saw the business grow into a clear market leader and the company's commitment to the quality of its content and services has been unwavering. Lewis Bronze's vision and passion for what Espresso does has to be acknowledged as a strong contributing factor to the company's success. However, as Lewis would be first to say, Espresso has succeeded because it comprises a talented and committed team of over 120 employees -all of whom are passionate about making a real contribution to education across the world.

Why exit now and why to Discovery?

Espresso is already used in some 50% of all UK primary schools. In order to continue to grow, the business needs the backing of an international group which can take it into new geographical markets. There are also opportunities to broaden the scope of its services, which will need substantial further investment.

We have had a number of offers for Espresso over the years but Discovery is the best fit. Also, by exiting at this time we have been able to secure a great return for the ProVen shareholders.

Discovery Education is a global leader in providing curriculum-based digital content. Its services are available in over half of all U.S. schools & community colleges and in 50 countries around the world. Espresso's business model makes it a great fit, and the deal brings together the best in U.S. and UK digital education services. Following the acquisition, I am sure that Espresso Education will continue its mission to transform education by encouraging the true integration of technology and compelling content into the classroom. I am confident that the immense resources and global footprint of Discovery will help Espresso achieve the next stage of its growth potential.

VCT Sector Focus

Shane Elliott
Partner - Beringea

Fund Raising

As we move into the last three months of the tax year, the annual VCT fund raising "season" is already in full swing. Following last year's highly successful fund raise by ProVen Growth & Income VCT, I anticipate another strong year, based on the continuing positivity towards VCTs among investors and their advisors. ProVen VCT launched its latest share offer in October 2013, to broad acclaim, and has the backing of a number of large institutions. Key details of the Offer are outlined on the opposite page.

Regulatory Change

Sharp-eyed shareholders may have noticed that the Chancellor's Autumn Statement included an announcement of plans to remove the eligibility for tax relief on subscriptions for VCT shares in certain restricted circumstances. Under the proposed measures, VCT investors will not be entitled to initial tax relief where either (a) there is a contractual link between the subscription for and disposal of VCT shares, or (b) the investor subscribes for shares in a VCT and disposes of shares in the same VCT within 6 months (whether before or after the subscription). The changes will affect share subscriptions made after 5 April 2014. Shareholders who believe they may be affected by this change should contact their authorised financial advisor.

Shareholder Event Review

The ProVen VCTs held their Annual Shareholder Event in October 2013 at the British Museum in London. After an introduction from Beringea's Founding Partner Malcolm Moss, the event was started by keynote speaker Professor Anthony Grayling who is a philosopher, author and Master of the New College of the Humanities.

Main panel (left -right): Henry Fairpo - Fjord, Simon Bell - Donatantonio, Trevor Hope - Beringea, Stuart Veale - Beringea, Peter Hewitt -Chairman of PPE VCT, Marc Vlessing -Chairman of PGI VCT and Andrew Davison - Chairman of ProVen VCT.

There was then a series of presentations – firstly from Beringea's Chief Investment Officer Trevor Hope and then Beringea's Managing Partner Stuart Veale. Between them, Trevor and Stuart spoke about how Beringea finds and selects companies to back, how the ProVen VCTs have been performing, and also updated the audience on the main developments in the funds' portfolios.

Two ProVen portfolio companies then presented; Simon Bell, Chief Executive of Donatantonio and Henry Fairpo, CFO of Fjord.

At lunchtime, delegates were joined by a further seven portfolio companies which hosted stands at the event. There was also a Beringea stand for shareholders to meet the wider Beringea team and ask questions.

Finally, after lunch, Philip Hare, PwC's expert on VCT tax regulations, presented. A number of pictures from the event can be found on the ProVen VCTs' website -**www.provenvcts.co.uk.**

ProVen VCT Share Offer

Increasing optimism about the prospects for the economy is encouraging many small and medium sized businesses to consider raising finance to support their expansion plans. As a result, Beringea, the Manager of the ProVen VCTs, is seeing more opportunities to invest in companies which have the potential to achieve very rapid growth. Given this background, the directors of ProVen VCT have decided to raise up to £20 million, to ensure that the company is able to take advantage of these opportunities. This follows on from the successful fund raising by PGI VCT over the last 12 months.

Please note that an investment in a VCT carries certain risks and is not suitable for everyone. Please refer carefully to the risk warnings on page 8 of this newsletter and in the prospectus.

Some of the key features of the Offer are as follows:

Excellent track record

The original share issue of ProVen VCT is the best performing VCT of its launch year by Total Return (NAV plus cumulative dividends)[1] and the fourth best performing generalist VCT over the last ten years based on share price total return[2]. Investors in the original share issue in 2000 have received a total return of £1.69 for each £1 invested (not including any tax relief obtained), including tax free dividends of £1.18. Past performance is no guide to the future, however.

Established portfolio

ProVen VCT has an existing portfolio of 28 investments in UK SMEs. As well as mitigating risk through diversification, the Manager believes that this portfolio has the potential to produce a number of profitable disposals of investee companies over the next 12-24 months, thereby generating profits to be used to fund dividend payments in accordance with the company's dividend policy.

Dividend policy

ProVen VCT has a target of paying total dividends per share each year of c. 5% (tax free) of net asset value. A special dividend may be paid in addition to this in the event of there being one or more sales of portfolio companies which generate a particularly high level of profits.

Attractive tax benefits

Investors in the Offer will be entitled to benefit from the attractive tax benefits available to investors in VCTs, in particular 30% income tax relief on the initial subscription and no tax on any dividends paid by the VCT.

Realising your investment

ProVen VCT has a policy of buying back its shares at a 5% discount to NAV, subject to there being sufficient liquidity in the company, to enable shareholders who wish to sell their shares to do so. Potential investors are reminded that if they sell their shares within 5 years they will lose the initial tax relief.

[1] Source: www.taxefficientreview.com, 28 November 2013

[2] Source: www.theaic.co.uk, 21 January 2014

For more information about the Offer contact Beringea on 0207 845 7820 or email kjustham@beringea.co.uk or visit www.provenvcts.co.uk

Risk Warning

An investment in ProVen VCT should be based on all the information in the Offer Document, particularly the Risk Factors section. This document is available from Beringea or your IFA.

Venture capital trusts are not suitable for all investors. If you are in any doubt about the suitability of an investment in a VCT you should consult an authorised Independent Financial Adviser. The sale of VCT shares within 5 years will result in the loss of the initial tax relief, so an investment in a VCT should be considered a long-term investment. The value of shares in a VCT may fluctuate and you may not get back the amount you invested. There is no certainty as to the level of dividends. You may have difficulty selling your shares and any sale is likely to be at a discount to the net asset value. VCTs invest in a portfolio of small companies, which by their nature carry greater risk than larger, quoted companies. The dividends paid to shareholders may exceed the VCT's net income from investment (after the cost of running the VCT) in which case the net asset value per share may fall. A significant proportion of ProVen VCT's net assets is concentrated in five investments (27.0% as at 30 November 2013) although raising funds under the Offer will reduce this concentration. The future performance of these investments will therefore have a material influence on the value of the Ordinary Shares. The continuing entitlement of shareholders to the VCT tax reliefs is dependent on ProVen VCT maintaining its status as a VCT. This financial promotion has been approved by Beringea LLP.

For more information please call us on

0207 845 7820, or email info@beringea.co.uk or visit www.provenvcts.co.uk

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