

SHARE SECURITIES NOTE

(including Application Forms)

OFFERS FOR SUBSCRIPTION

FOR THE TAX YEARS 2006/2007 AND 2007/2008



MANAGED BY
BERINGEA

SPONSORED BY
HOWARD KENNEDY

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult your bank manager, solicitor, accountant or other independent financial advisor duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on investment in shares and other securities without delay.

This document, the Summary and the Share Registration Document, which together constitute a prospectus relating to ProVen VCT plc (the "Prospectus"), have been prepared in accordance with the Prospectus Rules made under section 74 of FSMA and have been approved by the FSA in accordance with section 84 of FSMA.

Application will be made to the UK Listing Authority for the 'C' Shares to be issued pursuant to the Offers in the Company, to be admitted to the Official List. Application will also be made to the London Stock Exchange for up to 15,000,000 'C' Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective, and that dealings in the 'C' Shares will commence within 4 weeks of the issue of such Shares.

Your attention is drawn to the risk factors and investment considerations set out on page 3 of this document and to the terms and conditions of application set out on pages 27 to 29 of this document.

The Company and its Directors, whose names appear on page 32 of this document, accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Directors and the Company (who or which have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

PROVEN VCT PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3911323)

Offers for Subscription of up to 15,000,000 'C' Shares of 25p each at an issue price of 100p each

Sponsor

Howard Kennedy

Share Capital of the Company

The authorised and issued share capital immediately following the Offers, assuming that they are fully subscribed:

Class	Authorised		Issued and fully paid	
	£	Number	£	Number
Ordinary	1,750,000	35,000,000	£1,182,300.90	23,646,018
'C' Shares	6,250,000	25,000,000	3,750,000	15,000,000

(ISIN: GB00B1GH1X12)

No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase 'C' Shares unless, in such territory, such offer or invitation could lawfully be made.

Persons receiving this document should note that, in connection with the Offers, Howard Kennedy is acting for ProVen VCT plc and no-one else and will not be responsible to any other person for providing the protections afforded to customers of Howard Kennedy nor for providing advice in connection with the Offers. Howard Kennedy is acting as sponsor of the Company in connection with the Offers, and is authorised and regulated in the United Kingdom by the FSA.

This document should be read in conjunction with the Share Registration Document and the Summary, copies of which are available from the locations listed in paragraph 16 of Part I on page 18 of this document.

Contents, Offer Statistics and Expected Timetable

Contents

	Page No.
Risk Factors	3
Key Features	4
Chairman's Letter	6
Part I ProVen VCT plc	7
Part II Taxation Considerations and VCT Status	19
Part III Creation and details of the 'C' Shares	21
Part IV Terms and Conditions of Application	27
Part V Definitions and Glossary	30
Directors and Advisers	32
Application Procedure and Application Forms	33

Offers Statistics

Offer price per 'C' Share	100p
Initial issue costs per 'C' Share	5.5p
Initial net assets per 'C' Share	94.5p
Maximum number of 'C' Shares in issue, following the Offers at full subscription	15,000,000
Percentage of enlarged share capital represented by such 'C' Shares	38.8%
Percentage of enlarged share capital represented by such Ordinary Shares	61.2%
Maximum net proceeds of the Offers, after issue costs, at full subscription	£14,175,000

Expected Timetable

Offers open	14 November 2006
Offers close	5 April 2007 for the 2006/2007 Offer and 31 May 2007 for the 2007/2008 Offer ¹
Period for reinvestment of Mergermarket Dividends closes	28 November 2006 ²
Period for additional 'C' Shares for early application closes	29 December 2006
Definitive share certificates dispatched	within 21 days of allotment ³
Dealings in 'C' Shares commence	no later than 4 weeks after the 'C' Share allotments
Conversion date	no later than 91 business days after calculation date ⁴

Notes:

- 1 the Directors reserve the right to extend the closing date of the 2007/2008 Offer at their absolute discretion. The Offers may close earlier than the dates stated above if they are fully subscribed.
- 2 the directors reserve the right to extend the closing date for reinvestment of the Mergermarket dividends at their absolute discretion.
- 3 'C' Shares will be allotted and issued in respect of valid applications received for the 2006/2007 Offer on 5 April 2007 and any other dates prior to 5 April 2007 on which the Directors decide, and for the 2007/2008 Offer on 31 May 2007 and any other dates after 5 April 2007 on which the Directors decide.
- 4 the calculation date is intended to be 31 August 2012, although the Directors may alter this date if they resolve that (i) *force majeure* circumstances have arisen or are imminent or (ii) in their opinion, it is in the best interests of Shareholders that conversion should take place on a different date.

Risk Factors

Prospective Investors should be aware that the value of 'C' Shares can fluctuate and that they may not get back the amount they invest. In addition, there is no certainty that the market price of 'C' Shares will fully reflect the underlying net asset value, that Investors will be able to realise their shareholding or that any dividends will be paid. Investment in ProVen VCT should be viewed as a longer-term investment. Investors who are in any doubt should consult their independent financial advisor.

The attention of prospective Investors is drawn to the following risk factors, which relate principally to the 'C' Shares:

- It is possible for Investors to lose their tax reliefs by taking or not taking certain steps. For example, if an Investor disposes of his 'C' Shares within five years of acquisition, HM Revenue & Customs may claw back any income tax relief obtained on subscription. Investors are advised to take their own independent financial advice on the tax aspects of their investment.
- Although it is anticipated that the 'C' Shares will be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities, there is likely to be an illiquid market. Investors may find it difficult to realise their investment. In addition, the market value of the 'C' Shares may not fully reflect the underlying net asset value of such shares.
- The Company is seeking to raise up to £15 million through the Offers. To the extent that a relatively small level of funds is raised the Company may not be able to create a diversified portfolio. However, in a smaller portfolio, no single investment would represent more than 15 per cent by value of that portfolio.

The attention of prospective Investors is also drawn to the following risk factors, which relate principally to the Company and its industry:

- The past performance of the Manager or of the Company is no indication of their future performance.
- There can be no guarantees that the Company will meet its objectives or that suitable investment opportunities will be identified.
- Investments made by the Company are likely to be in companies whose shares are not readily marketable and therefore may be difficult to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Company.
- Investments will be made in unquoted companies with gross assets of not more than £7 million prior to investment. Such companies can offer good investment returns but carry a higher degree of risk than that associated with a portfolio of quoted companies. In particular, smaller companies may have limited product lines, markets or financial resources and may be more dependent on the management or key individuals than larger companies. In addition, markets for smaller companies are often less liquid and the valuation and sale of investments in such companies can be more uncertain.
- There is no guarantee that the proposed Partial Offer will be made or that the target cash return to Investors of at least 25p per £1 invested within 5½ years of the Offers closing will be achieved.
- Although the Company may agree conventional venture capital rights in connection with some of its investments, as a minority investor it may not be in a position fully to protect its interests.
- Whilst it is the intention of the Directors that the Company will be managed so as to qualify as a VCT, there can be no guarantee that it will qualify or that such status will be maintained. A failure to meet the qualifying requirements could result in the Company losing the tax relief previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the 30 per cent income tax relief obtained.
- Levels and bases of, and relief from, taxation are subject to change. Such changes could be retrospective and could materially affect the Company's operations. Those shown in this document are based upon current legislation, practice and interpretation and may vary depending upon the individual circumstances of Shareholders.

Key Features

These Key Features have been derived from the full text of this document. Any decision to invest in the Company should be based on consideration of the Prospectus as a whole, including the risk factors on page 3 of this document, and potential investors should not just rely on these Key Features.

ProVen VCT — A generalist VCT with an excellent track record

The Offers gives investors the opportunity to invest in a new share issue by ProVen VCT, an established and successful VCT originally launched in February 2000, and take advantage of the substantial tax reliefs offered when investing in VCTs. The Offers are for a subscription of 'C' Shares of up to £15 million and give investors the opportunity of investing in two different tax years.

The objective of the Offers is to provide an attractive return to shareholders through a combination of tax-free dividends and capital growth generated by investing in a diversified portfolio of mainly unquoted companies with the potential for significant value appreciation. The money raised in the 'C' Share pool will initially be kept separate from the Ordinary Share funds, with new investments being made from both pools of capital.

The Company currently has investments in 18 companies of which 16 are Qualifying Investments with a cost of approximately £14.5 million and a current valuation of £14.2 million (Source: unaudited interim accounts of the Company for the six months to 31 August 2006, adjusted for the sale of Mergermarket Limited in September 2006, the partial sale of Pilat Media Global plc in October 2006 and the investment in Gyro International Limited in October 2006). The Company's current unaudited NAV per share, as determined by the board as at 31 August 2006 but after adjusting for the dividend to be paid on 7 December 2006 and accruing for the related performance incentive fee is 96.9p. Tax free dividends totalling 22.2p have been paid by the VCT since its launch in February 2000 and tax free dividends of 6.5p were paid out for the Company's last financial year ended 28 February 2006. A special dividend of 31p per share will be paid to Ordinary Shareholders on 7 December 2006.

Historic Performance

The Company is the top performing VCT of its launch year (Source: www.taxefficientreview.com as at 1 November 2006 — based on IRR since launch) and the 5th best performing fund out of 61 VCTs with a track record of longer than 3 years (Source: www.taxshelterreport.co.uk as at 1 November 2006 — based on IRR since launch). The historic performance of both VCTs managed by Beringea, ProVen VCT plc and ProVen Growth and Income VCT plc, is set out in the table below, although the past performance of the Manager and the Company is no indication of their future performance.

Company performance to 31 August 2006

	ProVen VCT Ordinary Shares (listed April 2000)	PGI VCT Ordinary shares (listed May 2001)	PGI VCT "C" shares (listed Jan 2006)
Net asset value per share ⁽¹⁾	133.9p	171.0p	95.1p
Cumulative dividends per share ⁽¹⁾	22.2p	18.9p	—
Net asset value total return per share ⁽¹⁾	156.1p	189.9p	95.1p
Total return on initial NAV ⁽²⁾	64%	100%	1%
Return on FTSE All Share Total Return index over same period ⁽³⁾	18%	27%	7%
Performance relative to VCTs launched in same tax year ⁽⁴⁾	1st	1st	n/a
Performance relative to VCTs with a track record of more than three years (measured by IRR) ⁽⁵⁾	5th out of 61	2nd out of 61	n/a

Sources:

- (1) Unaudited interim accounts for the six months ended 31 August 2006
- (2) Beringea — from initial listing date to 31 August 2006
- (3) Datastream — from initial listing date to 31 August 2006
- (4) www.taxefficientreview.com as at 1 November 2006 — based on IRR since launch
- (5) www.taxshelterreport.co.uk as at 1 November 2006 — based on IRR since launch

The Manager

ProVen VCT is managed by Beringea, a specialist venture capital fund manager, which has been established for over 20 years and has managed VCTs for over 10 years, including ProVen Growth and Income VCT plc, which was launched in 2001. As well as managing ProVen VCT and PGI VCT, Beringea also manages venture capital funds on behalf of institutional investors. Total venture capital funds under management by the Beringea Group are approximately £105 million.

Balanced investment strategy

The Manager intends to invest 75 per cent of the proceeds of the Offers, over a period of approximately three years, in a portfolio of at least ten small and medium sized unquoted companies which meet the criteria for VCT qualification. Funds awaiting investment and, ultimately, the 25 per cent of the funds raised which are not invested in qualifying investments, will be invested in a combination of cash, liquidity funds and fixed interest securities of A rating or better. The Company will primarily invest into later and mature stage growth capital deals and management buyouts. The Company will not invest in start-ups.

It is intended that at least 90 per cent of the qualifying investments will be in private companies, with the balance in companies listed on AIM or PLUS-quoted (formerly OFEX). The Company intends to make the majority of the qualifying

investments (approximately 75 per cent) in companies in a broad range of sectors, in order to ensure good portfolio diversification. The remaining qualifying investments will be in a range of different companies in the media industry, in which the Manager has specialist expertise.

Tax-free return of at least 25p per share within 5½ years

It is the intention of the Directors to return at least 25p (tax-free) per £1 invested to Investors in the Offers, within 5½ years of the Offers closing, through a combination of tax-free dividends and the Partial Offer. Under the Partial Offer the Company will offer to purchase from each 'C' Shareholder such number of 'C' Shares as would provide Investors with a return of at least 20p per £1 invested, at a price per share equivalent to the Company's most recent 'C' Share NAV. Further details of the Partial Offer are set out on page 8 of this document. When combined with 30p income tax relief on the initial investment, this is intended to reduce the net cost of each £1 invested under the Offers to a maximum of 45p.

Enhanced dividend yield

One of ProVen VCT's principal objectives is to pay regular tax-free dividends to Shareholders and the Manager is incentivised to produce high levels of income for Shareholders. ProVen VCT has maintained a tax-free dividend payment of 6.5p per share per annum for the last two years ended 28 February 2005 and 28 February 2006, although this is no guide to the future rates of dividend to be paid by ProVen VCT. This does not include the special dividend payout of 31p per share declared by the Company on 17 October 2006 following the sale of one of its portfolio companies, Mergermarket Limited, which is to be paid out to Ordinary Shareholders on 7 December 2006. Following the payment of this special dividend the Company will have paid total cumulative dividends of 53.1p per share since launch.

Share buy-back policy

The Directors aim to ensure that Investors who wish to sell their shareholding in the Company will be able to do so. To this end, they intend to operate a share buy-back policy under which ProVen VCT will buy-back 'C' Shares at a discount to net asset value of no more than 10 per cent. The number of 'C' Shares bought back in each year will be a maximum of 10 per cent of the

number of 'C' Shares in issue, will be subject to VCT regulations and will depend on cash availability in the Company.

Risk management

The structure and investment strategy of ProVen VCT incorporate a range of features intended to reduce the risk of an investment in the Company. These are described more fully in paragraph 6 of Part I on pages 12 to 13 of this document. These include investing in later stage investments, utilising loan notes and preference shares, co-investing alongside other funds managed by Beringea and having an active involvement and, where possible, board position in the investee company.

Significant tax benefits for Investors

Qualifying Investors in ProVen VCT will be entitled to a range of significant tax benefits:

- Up-front tax relief of 30 per cent of the amount invested (provided that shares are held for at least five years)
- Tax free dividends
- No tax on gains realised on the sale of shares in ProVen VCT

Additional shares for early investment

Investors who apply before 5.00 p.m. on 29 December 2006 will receive 10 extra 'C' Shares for each £1,000 invested, equivalent to a discount of 1% on the normal subscription price per 'C' Share (the "Early Discount").

Reinvestment of Mergermarket Dividends

Existing shareholders in ProVen VCT and PGI VCT are offered the chance to reinvest the Mergermarket Dividends in the Offers, and those who invest before 5.00 p.m. on 28 November 2006 (save that the Directors reserve the right to extend this date at their absolute discretion) will receive 45 extra 'C' Shares for each £1,000 so invested, equivalent to a discount of 4.3% on the normal subscription price per 'C' Share. The Early Discount is not available on such reinvestment. Shareholders who reinvest a Mergermarket Dividend by subscribing for 'C' Shares under the Offers will not therefore receive such dividend(s) in cash.

Chairman's Letter

Andrew John Davison
Barry Malcolm Dean
Nicholas Peter Lewis
Alexander Spiro, Jr

ProVen VCT plc
39 Earlham Street
London WC2H 9LT

14 November 2006

Dear Investor,

I am delighted to introduce this prospectus for the ProVen VCT 'C' Share offering.

Tax changes

There was much speculation as to how the budget was going to affect VCTs but I am pleased to announce to you that the following tax reliefs on your VCT investment are now available in the 2006/07 and 2007/08 tax years:

- Upfront tax relief of 30 per cent on amounts invested up to £200,000 provided that the shares are held for a minimum of five years. This will mean that a £20,000 investment will have a net cost of £14,000.
- Dividends paid out from the VCT will be free of income tax.
- There is no tax to pay on gains realised on the sale of shares in ProVen VCT.

ProVen VCT's track record

ProVen VCT, originally launched in February 2000, is the best performing VCT launched in the 1999/2000 tax year (Source: www.taxefficientreview.com as at 1 November 2006 — based on IRR since launch) and the 5th best performing VCT out of 61 VCTs with a track record of more than 3 years (Source: www.taxshelterreport.co.uk as at 1 November 2006 — based on IRR since launch). This track record was recognised by our industry and consequently ProVen VCT was shortlisted for the VCT of the Year award for 2005 and 2006 by the Investor All Stars awards and VCT/private equity fund of the Year for 2005 and 2006 at the Investment Week awards.

Dividend payout

One of the attractions of VCTs is that dividends paid from the fund are tax free. ProVen VCT has a good track record of returning cash to shareholders, having paid cash dividends to founder shareholders of 22.2p since its launch in February 2000. For the last two financial years, ended 28 February 2005 and 28 February 2006, ProVen VCT has paid a cash dividend of 6.5p per share, equivalent to a gross return of 9.6 per cent for a higher rate tax payer, although past performance cannot be relied upon as a guide to future performance. This does not include the ProVen VCT Mergermarket Dividend of 31p to be paid to Ordinary Shareholders on 7 December 2006.

Reinvestment of Mergermarket Dividends

Existing shareholders in ProVen VCT and PGI VCT are offered the chance to reinvest the ProVen VCT Mergermarket Dividend of 31p per share and/or the PGI VCT Mergermarket Dividend of 50p per share in the Offers, and those who invest before 5.00 p.m. on 28 November 2006 (save that the directors reserve the right to extend this date at their absolute discretion), will receive 45 extra 'C' Shares for each £1,000 so invested, equivalent to a discount of 4.3 per cent on the normal subscription price per 'C' Share.

Liquidity

The Directors recognise that some Investors may wish to sell some or all of their shares after they have held them for five years. The Company therefore intends to return at least 25p (tax-free) within 5½ years of the Offers closing through a combination of tax-free dividends and a partial offer for shares at net asset value. The intention of this is to give Investors the opportunity to realise part of their investment at a time when there may not be enough external purchasers of the Company's shares on the open market.

Management team

ProVen VCT is managed by Beringea, a specialist fund manager, which has been managing venture capital funds for 20 years and VCTs for the last 10 years. The VCT funds are managed by three investment managers with more than 35 years combined experience.

Investing in ProVen VCT

You can invest in the Offers, which give you the opportunity of investing in two different tax years, using the Application Form(s) provided at the end of this document. If you would like to find out more about ProVen VCT or how to make an investment, please contact your financial advisor, or one of the Beringea team on 0845 686 0225 or 020 7845 7820.

I look forward to welcoming you as a shareholder.

Yours sincerely

Andrew Davison
Chairman, ProVen VCT plc

The preceding information is extracted from, and should be read in conjunction with, the full text of this document. In particular, Investors' attention is drawn to the risk factors on page 3. Investors should read the whole of this document and not just rely on the summarised information set out above.

Part I: ProVen VCT plc

1. Introduction

VCTs were introduced over 10 years ago to encourage individuals to invest in small unquoted UK companies by offering substantial tax reliefs to anyone investing in them. VCTs are investment companies which are listed on the London Stock Exchange. The money raised from individual investors is pooled together and invested by a professional manager in a portfolio of unquoted UK companies which are generally not accessible for investment by private individuals.

The Offers give Investors the opportunity to invest in a new 'C' Share issue by ProVen VCT, an established and successful VCT, originally launched in February 2000. ProVen VCT is the top performing VCT from the 1999/2000 tax year (source: www.taxefficientreview.com as at 1 November 2006 — based on IRR since launch) and the 5th best performing fund out of 61 VCTs with a track record of longer than 3 years (source: www.taxshelterreport.co.uk as at 1 November 2006 — based on IRR since launch).

The Offers are for a subscription of up to 15,000,000 'C' Shares over two different tax years, to raise up to £15 million in aggregate. The objective of the Offers is to provide an attractive return to shareholders through a combination of tax-free dividends and capital growth generated by investing in a diversified portfolio of mainly unquoted UK companies with the potential for significant value appreciation.

The Company's unaudited net asset value per ordinary share as determined by the board as at 31 August 2006 was 133.9p.

The Company currently has investments in 18 companies, of which 16 are VCT Qualifying Investments, with a cost of approximately £14.5 million and a current valuation of approximately £14.2 million (source: unaudited interim accounts of the Company for the six months to 31 August 2006, adjusted for the sale of Mergermarket Limited in September 2006, the partial sale of Pilat Media Global plc in October 2006 and the investment in Gyro International Limited in October 2006).

ProVen VCT is managed by Beringea, a specialist venture capital fund manager, which has been established for over 20 years and managed VCTs for 10 years (including PGI VCT which was launched in 2001). As well as managing ProVen VCT and PGI VCT, Beringea also manages venture capital funds on behalf of institutional investors. Total venture capital funds under management by the Beringea Group are approximately £105 million.

The Directors intend to maximise tax-free cash returns to Shareholders by the following means:

- a return of at least 25p per £1 invested to Investors (through a combination of tax free dividends and the Partial Offer) within 5½ years of the Offers closing;
- payment of regular tax-free dividends; and
- buying back Shares at a discount of no more than 10 per cent to net asset value (limited to 10 per cent of the number of Shares of each class in issue at the start of the respective financial year).

The money raised from the Offers will form a separate pool of capital that will invest alongside new investments made out of funds raised from ProVen VCT's original Ordinary Share issue in 2000 and subsequent offers for subscription in the 2003-2004, 2004-2005 and 2005-2006 tax years.

It is intended that the two classes of Shares will merge approximately 5½ years after the Offers close. At the point of the merger, 'C' Shareholders will be entitled to exchange their 'C' Shares for a certain number of new Ordinary Shares, according to a formula based on the relative net asset value per Share of each Share class immediately prior to the merger. This formula is set out in full in paragraph 2 of Part III of this document. The merger is intended to benefit both Investors in 'C' Shares and existing Ordinary Shareholders by giving them access to a more diversified portfolio of Qualifying Investments. The timing of the merger may be varied at the Directors' absolute discretion but this will not affect Investors' entitlement to tax relief or their right to benefit from the Partial Offer.

2. Taxation Benefits for Investors

The Company has been structured as a VCT in order to take advantage of the substantial tax benefits available to Qualifying Investors in VCTs, which for the tax years 2006/07 and 2007/08 includes the following:

- income tax relief of 30 per cent of the amount invested, providing that the shares are held for at least five years. This means that each £1 investment has a net cost of only 70p;
- profits made by the VCT on the disposal of investments are not subject to tax and can be paid out as tax-free dividends to shareholders in the VCT; and
- gains realised on disposals of VCT shares are tax-free.

These tax reliefs are available on a maximum investment of £200,000 per individual per tax year. Income tax relief on the initial investment will be restricted to the amount which reduces the Investor's income tax liability to nil.

The table below shows the effect of the initial tax relief, based on an investment of £10,000:

Initial investment	£10,000
Less: initial tax relief	(£3,000)
Net cost after tax relief	£7,000

The initial income tax relief provides Qualifying Investors with an effective return of 35 per cent before the first investment is made, as illustrated in the table below, which is again based on an investment of £10,000.

Initial investment	£10,000
Less: issue costs	(£550)
Initial value of investment	£9,450
Initial value "uplift" (£)	£2,450
Initial value "uplift" (%)	35%

This initial value “uplift” cannot be realised immediately by an Investor however, as an Investor must hold the Shares for at least five years to retain the initial tax relief.

The tax reliefs available to VCT Qualifying Investors also significantly enhance the effective yield of dividends paid by ProVen VCT, as illustrated in the table below. This is based on an annual dividend of 3p per annum. The dividend paid by ProVen VCT for its two most recent financial years (ended 28 February 2005 and 2006) was 6.5p per share, although this is no guide to the future rates of dividend to be paid by ProVen VCT.

The Directors and the Manager consider that the assumptions underlying the example below are fair and reasonable. However, the example is provided for illustrative purposes only and should not be regarded as a forecast and none is implied. Dividends paid on the ‘C’ Shares in the three years following the Offers closing are likely to be lower than the example shown. The income from an investment in the Offers cannot be predicted with any certainty and may differ materially from the example shown.

Dividend yield before tax relief	Dividend yield on net investment cost of 70p per share	Equivalent gross yield to higher rate taxpayer
3%	4.3%	6.3%

The combined effect of 30 per cent initial tax relief and the tax-free status of VCT dividends is to increase the effective gross yield from an investment in ProVen VCT to a Qualifying Investor who is a higher rate taxpayer to 2.1 times the nominal yield.

3. Maximising tax free cash returns to Shareholders

The ‘C’ Shares will be traded on the London Stock Exchange and Investors may sell their ‘C’ Shares at any time, although the ‘C’ Shares must be held for at least five years to retain the initial 30 per cent income tax relief. However, as there may be a limited secondary market in the Shares, the Directors have addressed this by introducing the following policies:

3.1 Partial Offer and tax-free dividends

The Directors aim to return at least 25p (tax-free) per £1 invested to Investors in the Offers within 5½ years of the Offers closing, through a combination of tax-free dividends and the Partial Offer. It is intended that the Partial Offer return to Investors at least 20p per £1 invested under the Offers.

It is the current intention of the Board that, by no later than 30 June 2012, the Company will make the Partial Offer, under which it will offer to purchase from each ‘C’ Shareholder such number of ‘C’ Shares as would provide Investors with a return of 20p per £1 invested. However, if no ‘C’ Share dividends or ‘C’ Share dividends of less than 5p per share have been paid, the Partial Offer will be increased so that it is for such number of ‘C’ Shares as would provide Investors with a return of 25p per £1 invested under the Offers less the amount of any ‘C’ Share dividends paid prior to the Partial Offer. The Partial Offer is intended to be made at a price equivalent to the Company’s NAV per ‘C’ Share most recently announced to the London Stock Exchange prior to the Partial Offer (i.e. not at a discount). The Partial Offer will be subject to applicable laws and regulations and dependent on there being sufficient cash available in the Company.

The table below shows the return per £1 invested given various amounts of ‘C’ Share tax-free dividends paid over the period ended with the Partial Offer:

Amount of ‘C’ Share tax-free dividends	Amount returned by Partial Offer	Aggregate of dividends + Partial Offer
0p	25p	25p
2.5p	22.5p	25p
5p	20p	25p
10p	20p	30p

When combined with the 30p income tax relief per share on the initial investment the Partial Offer is intended to reduce the net cost of each £1 invested under the Offers to 45p for Qualifying Investors, as shown in the following table, which is based on an initial investment of £10,000:

This table is prepared on the assumption that 25p per £1 invested has been returned to Investors through a combination of tax-free dividends and the Partial Offer.

Cost of investment after the Partial Offer

	£
Subscription	10,000
Less:	
Initial tax relief	(3,000)
Partial Offer + dividends	(2,500)
Net cost after Partial Offer and dividends paid (A)	4,500

It is the intention that after the Partial Offer the net asset value of an Investor’s shareholding will be over 54 per cent greater than the net cost, before taking into account the performance of the VCT. This is shown in the following table, which is again based on an initial investment of £10,000:

This table is prepared on the assumption that 25p per £1 invested has been returned to Investors through a combination of tax-free dividends and the Partial Offer and before taking into account the performance of the VCT.

Net asset value of investment after the Partial Offer

	£
Amount subscribed	10,000
Less:	
Issue costs	(550)
Partial Offer + dividends	(2,500)
Net asset value after Partial Offer and dividends paid (B)	6,950
Percentage by which net asset value after the Partial Offer exceeds cost (B/A)	54%

The target cash return is an intention of the Directors, however it is not guaranteed. The calculations above should not be regarded as forecasts and none is implied.

3.2 Enhanced dividend yield

One of ProVen VCT’s principal objectives is to pay regular tax-free dividends to Shareholders out of the income generated from portfolio companies and from the sale of these investments. In order to achieve this, the Manager will focus on investing in companies where an exit within 3-4 years is reasonably

foreseeable. This policy has enabled ProVen VCT and PGI VCT to maintain a regular stream of dividend payments, as shown in the following table. However, the past performance of the Manager or the Company is no indication of their future performance.

Year ended 28 February								NAV per share at 31 August 2006	
	2001	2002	2003	2004	2005	2006	2007	Total	2006
ProVen VCT	2.4p	2.3p	1.0p	3.5p	6.5p	6.5p	*	22.2p	133.9p
PGI VCT ordinary shares	—	1.4p	1.0p	3.5p	6.5p	6.5p	**	18.9p	171.0p

* The ProVen VCT Mergermarket Dividend of 31p is to be paid on 7 December 2006.

** The PGI VCT Mergermarket Dividend of 50p is to be paid on 7 December 2006.

As explained in more detail below, Beringea is incentivised to maximise distributions to Shareholders as it is entitled to receive a performance related fee if annual dividends paid to Shareholders exceed certain specified thresholds.

The effective yield of dividends paid by ProVen VCT will be significantly enhanced by the fact that dividends paid out by the VCT will not be subject to income tax.

3.3 Share buy-back policy

As described above, the Directors aim to give Investors the opportunity to realise part of their investment by means of the Partial Offer within 5½ years. In addition, the Directors also intend to give Investors the opportunity to realise their investment by operating a share buy-back policy, under which ProVen VCT will buy-back 'C' Shares at a discount to NAV of no more than 10 per cent. The number of 'C' Shares bought back in each year will be a maximum of 10 per cent of the number of 'C' Shares in issue, will be subject to VCT regulations and will depend on cash availability in the Company.

Both ProVen VCT and PGI VCT currently operate a policy of buying back shares at a 10 per cent discount to NAV and have done so since June 2004.

4. Track Record of the Manager and the ProVen VCTs

4.1 Historic Performance

As well as managing ProVen VCT, Beringea also manages PGI VCT, which was launched in 2001. The historic performance of these VCTs is set out in the table below. Investors are advised that the past performance of the Manager and the Company is no indication of their future performance.

Company performance to 31 August 2006	ProVen VCT Ordinary Shares (listed April 2000)	PGI VCT Ordinary shares (listed May 2001)	PGI VCT "C" shares (listed January 2006)
Net asset value per share ⁽¹⁾	133.9p	171.0p	95.1p
Cumulative dividends per share ⁽¹⁾	22.2p	18.9p	—
Net asset value total return per share ⁽¹⁾	156.1p	189.9p	95.1p
Total return on initial NAV ⁽²⁾	64%	100%	1%
Return on FTSE All Share Total Return index over same period ⁽³⁾	18%	27%	7%
Performance relative to VCTs launched in same tax year ⁽⁴⁾	1st	1st	n/a
Performance relative to VCTs with a track record of more than three years (measured by IRR) ⁽⁵⁾	5th out of 61	2nd out of 61	n/a

Sources:

- (1) Unaudited interim accounts for the six months ended 31 August 2006
- (2) Beringea — from initial listing date to 31 August 2006
- (3) Datastream — from initial listing date to 31 August 2006
- (4) www.taxefficientreview.com as at 1 November 2006 — based on IRR since launch
- (5) www.taxshelterreport.co.uk as at 1 November 2006 — based on IRR since launch

The historic dividend per share record for both VCTs managed by Beringea is set out in paragraph 3.2 of Part I.

4.2 Investment Portfolio at 31 August 2006

At 31 August 2006 (being the end of the last financial period of the Company for which unaudited interim financial information is available), the Company had investments in 18 companies of which 16 were Qualifying Investments with a cost of approximately £14.7 million and a valuation of £24.5 million. The changes to the investment portfolio since 31 August 2006 are set out at paragraph 4.3 below.

A full list of all unquoted venture capital investments held by ProVen VCT as at 31 August 2006 (being the latest practicable date for which such information is available) is set out below (these figures have not been audited). Save as noted in paragraph 4.3 below, there has been no material change to this

information since that date. This list is intended to demonstrate the track record of ProVen VCT and the types of companies in which it has invested. It is not intended that funds raised through the Offers will invest in the same portfolio of companies.

	Cost £000	Valuation £000	% of portfolio by value
Top ten venture capital investments			
Mergermarket Limited	780	10,711	33.7%
Espresso Broadband Limited	2,048	4,583	14.4%
ILG Digital Limited (formerly I-Level)	1,000	2,052	6.5%
SPC International Limited	1,146	1,397	4.4%
Campden Media Limited	975	975	3.1%
Ma Potter's Limited	700	974	3.1%
Ashford Colour Press Limited	1,000	867	2.7%
UBC Media plc*	1,101	709	2.2%
Oasis Healthcare plc*	670	679	2.1%
Pilat Media Global plc*	250	672	2.1%
	9,670	23,619	74.3%
Other venture capital investments			
Cardpoint plc*	438	607	1.9%
Sports Holding Limited	800	130	0.4%
Baby Innovations S.A. t/a Steribottle	604	114	0.4%
ID Data plc *	263	2	—
JVTV Holdings Limited	200	0	—
GB Industries Limited	1,134	—	—
Linguaphone Group Holdings Limited	703	—	—
Zenith Group Limited	853	—	—
	4,995	853	2.7%
Total venture capital investments	14,665	24,472	77.0%
Liquidity funds			
Insight Fund		2,000	6.3%
Standard Life Investments GBP		1,900	6.0%
BGI Sterling First Fund		850	2.6%
		4,750	14.9%
Other net current assets (including cash)			
		2,573	8.1%
		31,795	100.0%

Source: As extracted from the unaudited interim accounts of the Company for the six months ended 31 August 2006.

All venture capital investments are unquoted unless otherwise stated:

* Listed on AIM

All venture capital investments are incorporated in England and Wales with the exception of Baby Innovations S.A. which is incorporated in Madeira.

4.3 Changes to Investment Portfolio since 31 August 2006

On 29 September 2006 Mergermarket Limited, was sold to the *Financial Times* Group, a subsidiary of Pearson plc.

Mergermarket Limited is a company that provides business development services for advisors and corporates active in mergers and acquisitions and delivers information directly to the user's desktop or mobile phone. The Company's share of the sale proceeds was approximately £10.7 million, a gain of approximately £9.9 million on its original investment. This represents a return of almost 14 times the cost of the investment. 7.5 per cent of the proceeds will initially be retained against potential warranty or indemnity claims. This will reduce to 5 per cent of the proceeds after one year and zero after two years providing that there have not been any claims. The Company announced on 17 October 2006 that it would pay a special dividend of 31p per share in respect of this sale on 7 December 2006 to shareholders on the register at 3 November 2006. The net asset value per share, based on the unaudited interim financial information of the Company as at 31 August 2006, but after adjusting for payment of the above dividend and accruing for the related performance incentive fee is 96.9 pence and the total return on the same basis is 150.1 pence.

In October 2006, the Company invested £652,000 in Gyro International Limited, a brand communications agency providing marketing services for information, communications and technology companies.

In October 2006, the Company sold 380,000 shares in Pilat Media Global plc. The sale proceeds of approximately £258,000 represented a gain of approximately £181,000 on its original investment.

5. Investment Objectives and Strategy

ProVen VCT's principal investment objectives are:

- to achieve a total return significantly greater than that available from direct investment in quoted businesses by investing in a portfolio of carefully selected smaller companies with excellent growth prospects;
- to minimise the risk of each investment and the portfolio as a whole; and
- to obtain and maintain VCT status in order to secure the substantial tax benefits available for investment in a VCT.

In order to achieve this, the Company will progressively invest the proceeds of the Offers in a broadly diversified portfolio of VCT Qualifying Investments which have the potential for good growth. By 28 February 2010, it is intended that at least 70 per cent of the funds raised by the Offers will have been invested in this way and it is intended that, ultimately, approximately 75 per cent of the funds raised by the Offers will be invested in a portfolio of Qualifying Investments.

Funds awaiting investment and, ultimately, the 25 per cent of the funds raised which are not invested in Qualifying Investments will be invested in cash, liquidity funds and fixed interest securities of A rating or better with the intention of generating the maximum yield consistent with minimising the risk to Investors' capital.

5.1 Investing in high-growth smaller companies

The Directors believe that a strategy of investing in carefully selected unquoted companies with good growth prospects offers an exciting opportunity to achieve investment returns greater than those available from investing in a portfolio of quoted companies.

The Company's strategy is to make the majority of the Qualifying Investments (approximately 75 per cent) in companies in a broad range of sectors, in order to ensure good portfolio diversification. The remaining Qualifying Investments will be made in a range of different companies in the media industry, in which the Manager has specialist expertise. The Manager's ability to source investment opportunities in this sector and add value to these companies has been a key factor in the successful historic performance of both ProVen VCT and PGI VCT, although past performance of the Manager or the Company is no indication of their future performance.

5.2 Investing in private businesses

It is intended that at least 90 per cent of the Company's Qualifying Investments will be in private companies (i.e. unquoted companies not listed on AIM). The following measures, which are applicable to investments in private companies (but not AIM listed companies) should enable the Manager to reduce the risk of each investment and contribute to its success:

- carrying out a detailed "due diligence" process prior to investment. Where appropriate this will include a financial and commercial review by external accountants and consultants;
- structuring the investment to include a proportion of secured loans, where appropriate, in order to reduce risk and enhance returns;
- securing rights to influence the development of the investee company, for example in relation to its corporate strategy and the appointment of key managers; and
- appointing where possible, one of the Manager's investment team to the board of the investee company.

The Company will invest in companies at various stages of development, including those requiring capital for expansion and in management buy-outs. The Company will not invest in start-ups.

The Company may invest in a limited number of companies traded on AIM where it believes that there is the potential for a significant increase in value. It is intended that no more than 10 per cent of the funds raised under the Offers will be invested in AIM listed companies.

5.3 Investment Criteria

Beringea is highly selective when considering potential investments for the Company. In choosing Qualifying Investments, ProVen VCT will target well-managed companies with excellent growth prospects and low investment risk.

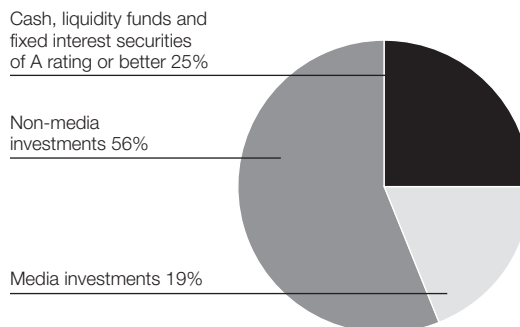
The key selection criteria for investments will be as follows:

- a strong, balanced and well motivated management team with a proven track record of achievement;
- a defensible market position;
- good growth potential;
- an attractive entry price for the Company;
- the ability to structure the investment with a proportion of secured loan notes in order to reduce risk; and
- a clearly identified route for a profitable realisation within a 3-4 year period.

5.4 Target portfolio allocation

The target allocation of the portfolio created from the proceeds of the Offers is as follows:

Target Portfolio Allocation



5.5 Deal Flow

Beringea has been making venture capital investments for the last 20 years and as a result has built up a very strong network of contacts that introduce investment opportunities. These contacts exist across a wide variety of sectors but are especially concentrated around the media sector and industries allied to media where Beringea has a specialisation. Just as importantly, the members of the investment management team all have extensive networks of deal introducers, established over their many years in the venture capital industry, which also provides a strong flow of investment opportunities.

5.6 Investment process

All prospective investment opportunities will be subject to a thorough due diligence investigation, which may take from three to six months to complete. This comprises a review of the company's management, the market in which the company operates, its competitive position within the market and the opportunities and risks facing the business. The due diligence process usually involves detailed market research, including interviews with customers and suppliers, as well as building and reviewing financial models. Beringea will generally appoint specialist professional advisors, such as accountants and market research consultants, to assist it with its investigation. If there is a satisfactory outcome to this due diligence process, a formal proposal will be submitted to Beringea's investment committee for consideration. If the investment committee approves the proposal it will then be submitted to the Board for final approval.

5.7 Post Investment Management

The Manager pursues an active approach to the post-investment management of ProVen VCT's portfolio. This enables it both to add value to the VCT's investments and to identify problems at an early stage so that appropriate action can be taken swiftly. The key steps it takes to achieve this will normally include the following:

- appointing one of the Manager's investment team to the board of investee companies;
- adding value to investments through attendance at monthly board meetings, helping to develop strategy,

sharing experience from a wide variety of different unquoted companies, making introductions to other portfolio companies in order to create business opportunities and advice in a variety of different areas;

- ensuring good corporate governance;
- reviewing monthly management accounts in order to identify potential issues or opportunities;
- having the right to approve key strategic decisions, including the adoption of budgets, major investments and recruitment of senior personnel;
- having the right, in certain circumstances, to replace under-performing managers; and
- insisting on the appointment of an appropriate Chairman who can bring additional skills and experience to the board.

As the investments mature, Beringea is proactive about identifying opportunities for profitable realisations of investments in order to realise capital gains and make tax-free distributions to Shareholders.

5.8 Co-Investment Policy

In addition to ProVen VCT, Beringea manages other private equity funds, including PGI VCT. This provides the Company with the potential opportunity to invest alongside these funds, enabling ProVen VCT to gain access to larger investments in more substantial companies than it would be able to if Beringea managed just one VCT.

When investment opportunities are suitable for more than one fund managed by Beringea, the Manager will consult the board of each relevant VCT and the equivalent body in respect of each relevant limited partnership, in relation to the proportion to be allocated to each fund. In general, opportunities will be allocated to the funds pro-rata to the total amount of money that each has available for investment. Any co-investments will be approved by the Directors who are independent of the Manager and otherwise in accordance with the Listing Rules. In the event of a conflict of interest for the Manager (which shall include where an investment is proposed in a company in which a fund already has an interest) or where it is proposed that a co-investment is to be made other than on a pro-rata basis, such investment will require the approval of those members of each VCT board who are independent of the Manager.

5.9 Valuation Policy

Valuation of listed investments and investments traded on AIM or other public stock markets will be stated at closing bid prices. Where quoted investments are subject to restrictions or trading is illiquid, an appropriate discount to the latest market price may be applied with regard to International Private Equity and Venture Capital ("IPEVC") valuation guidelines.

Investments not listed on a public stock market and investments traded on PLUS-quoted (formerly OFEX) will be stated at Directors' valuation. The Directors will value these investments in accordance with the IPEVC valuation guidelines.

Investments are valued by the Board on 31 August and 28 February of each year and these net asset values are communicated to Shareholders by DCF through the Regulatory

News Service. The Company also announces when there has been a major change to net asset value, for instance as a result of a disposal of an investment, or if the Company undertakes a fundraising and needs to announce an interim valuation.

6. Risk Management

Investment in a VCT carries a higher level of risk than investment in a portfolio of companies listed on the London Stock Exchange (refer to the risk factors on page 3 of this document). As an experienced VCT manager Beringea is aware of the risks of investing in unquoted companies and consequently its investment strategy is designed to reduce these as much as possible. Both the overall fund structure and Beringea's approach to the individual investments within it contain a range of important features designed to reduce risk for Shareholders, as described below.

6.1 Fund Structure

- *Broad portfolio of companies* — The funds raised by the Offers will invest in a broad portfolio of different companies, thereby reducing the potential impact of poor performance by any individual investment. It is intended that in the three years following the launch of the Offers the funds raised will be invested in at least 10 different companies and no single investment will represent more than 15 per cent of the aggregate net asset value of the 'C' Shares.

- *Significant proportion of investments in cash, liquidity funds and fixed-interest securities of A rating or better* — Over the three years following the launch of the Offers a significant proportion of the funds raised will be invested in cash, liquidity funds and fixed interest securities of A rating or better, with the intention of generating maximum yield consistent with minimising the risk to Investors' capital.

After the initial three-year period the objective is to keep approximately 25 per cent of the portfolio in such investments. This will reduce the overall risk profile of the Company.

- *Partial offer to reduce Investors' financial exposure* — The Directors aim to return at least 25p (tax-free) per £1 invested to Investors within 5½ years of the Offers closing through a combination of tax-free dividends and the Partial Offer. It is intended that the Partial Offer will return the equivalent of at least 20p per £1 invested under the Offers. When combined with the 30p income tax relief per share on the initial investment for Qualifying Investors this is intended to reduce the Investor's net cost to only 45p per £1 invested.

6.2 Individual investments

- *Stage of investment* — ProVen VCT will only invest in well-established companies, normally either to provide capital for expansion or to finance a management buy-out or buy-in. ProVen VCT will not invest in start-ups.

- *Rigorous investment process* — Beringea has established rigorous procedures for reviewing and approving potential investments, aimed at ensuring a high standard of investment decision-making. This process may take from 3 to 6 months and is designed to ensure a full

understanding of the investment proposition, the strength of the management team, the attractiveness of the market and the historic and forecast financial performance. Where appropriate, this process will include a financial and commercial review by external accountants and consultants.

- *Investment into loan notes and preference shares* — Investments made by ProVen VCT will be structured, where appropriate, with a substantial proportion of the funding in the form of loan notes or preference shares, which must be repaid in priority to ordinary shares on a sale of the investee company. Consequently, the risk of the Company's investment is significantly reduced. Some or all of the loan notes and preference shares may be repaid during the life of the investment, thereby reducing the Company's exposure without affecting the percentage of the equity it holds.
- *Close monitoring of investments / Position on the board of the company* — Beringea will closely monitor the performance of all ProVen VCT's investments in order to identify any problems and to enable it to take swift corrective action, including in certain circumstances the replacement of under-performing managers. Key steps taken to monitor investments include reviewing the monthly management accounts of all non-AIM listed investments and, wherever possible, appointing one of the Manager's investment managers to the board of the investee company. In addition, detailed reports on the progress of each investment are prepared quarterly and presented to the VCT's Board.
- *Control over key decisions by investee companies* — Beringea will negotiate detailed legal agreements with each non-AIM quoted investee company requiring it to seek approval for a wide range of key decisions, including the adoption of annual budgets, acquisitions or disposals and the appointment or dismissal of key managers.
- *Co-investment with other Beringea funds* — Beringea manages other private equity funds, including PGI VCT. Where appropriate ProVen VCT will invest alongside investments made by these other funds, enabling it to participate in larger investments in more substantial companies than it would be able to if Beringea managed only one VCT.

7. The Manager

The Company is managed by Beringea, a specialist venture capital fund manager, which has been established for over 20 years and which has managed VCTs for 10 years. As well as managing ProVen VCT and PGI VCT, Beringea also manages venture capital funds on behalf of institutional investors. Total venture capital funds under management by the Beringea Group are approximately £105 million.

The investment management team is comprised of the following three executives, who have more than 35 years combined experience of making venture capital investments. They are:

Stuart Veale, MBA, MA (Oxon) (aged 47).

Stuart Veale is the Managing Director of Beringea and heads the investment team for the VCTs. He has 19 years of private equity investment experience gained with Beringea, Lloyds TSB Development Capital and 3i plc. Stuart has an MA (Hons) from Oxford University and an MBA from the London Business School.

Trevor Hope, MBA, DipFS, ACIB, CIM (aged 36).

Trevor Hope has over nine years' experience of private equity investment. During this time he has made over 40 private equity investments. His experience of financing small companies also includes eight years working in corporate banking for Barclays and The Royal Bank of Scotland. Trevor has an MBA from Exeter University and is an ACIB.

Jamie Kennell, MBA, BA (aged 38).

Jamie Kennell has been directly involved in private equity investing for over eight years. Before joining Beringea he worked for 3i plc and Unilever Ventures. Prior to this he worked in corporate finance with KPMG and in investment banking with NatWest Markets. Jamie has a BA from the University of Staffordshire and an MBA from Cardiff Business School.

8. The Directors

8.1 The Board

The Board is responsible for the overall control and management of the Company with responsibility for its affairs, including determining its investment policy. However, investment proposals will be originated by Beringea and formally approved by the Board.

The Board is comprised of four non-executive Directors, who are listed below. The Company considers that Mr Dean is independent for the purposes of the Combined Code.

Andrew Davison, FCA (aged 63), Chairman. Andrew Davison has over 30 years' experience of the financial services industry, much of it involved with private equity. He joined County Bank Limited in 1972 and by 1984 had become managing director of NatWest Ventures, which specialised in private equity investments. Andrew is a former council member of the BVCA. He is currently the Chairman of The Ethical AIM VCT, PGI VCT, City of London Investment Management Group plc and Pennine AIM VCT 5 and a director of a number of other unquoted companies.

Barry Dean FCA (aged 57) is a Chartered Accountant, and has over 25 years experience in the private equity industry including 14 years as Managing Director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a director of August Equity Trust plc (a quoted investment trust investing in private equity) and a non-executive director of Elderstreet VCT plc. He is also an Advisory Committee Member for Parallel Ventures Managers Limited and is currently Chairman of Intermed Holdings Ltd.

Nicholas Lewis MA MSc (aged 51) is a director of Downing, which he founded in 1986. Downing specialises in promoting and administering tax based investments, having raised over £600 million to date. He is currently a director of a number of other VCTs, including PGI VCT. He was formerly with NatWest Ventures Limited and before that with Apax Partners and Co. Limited.

Alexander Spiro, Jr. (aged 59) is a senior managing director of Beringea LLC, the ultimate parent company of the Manager, and a director of the Manager. He is a member of the advisory board of InvestCare Partners, a limited partnership fund managed by Beringea LLC that invests in venture capital opportunities in the healthcare sector. Prior to joining Beringea LLC he spent more than 30 years as an entrepreneur in the healthcare sector. Additionally, Alexander was a finalist for the Ernst and Young Entrepreneur of the Year award.

8.2 *Subscription for 'C' Shares by directors of Beringea*

The Directors and directors of Beringea have committed to invest a total of £50,000 under the Offers, on the same terms as Investors.

9. **Management and Administration Arrangements**

The Company and the Manager entered into a management agreement on 9 February 2000, as amended by a deed of variation dated 31 May 2006 and a deed of variation dated 14 November 2006, which is conditional on the approval of the Shareholders at the EGM. Any material breach of this management agreement by the Manager will be notified to Shareholders through the RNS. The Company and DMS entered into an administration and advisory agreement on 31 May 2006.

9.1 *Annual Management Fees*

Conditional on Shareholder approval at the EGM, the Manager will be paid an annual investment management fee in relation to the 'C' Share fund equal to 2 per cent per annum of the aggregate net asset value of the funds attributable to the 'C' Shares (plus VAT), payable quarterly in arrears, until the merger of the 'C' Shares with the Ordinary Shares. After the conversion of the 'C' Shares, the new Ordinary Shares received by Investors in exchange for such shares will become subject to the management fee arrangements applicable to the Ordinary Shares. Beringea is paid an annual investment management fee in relation to the Ordinary Share fund equal to 2 per cent per annum of the aggregate net asset value of the Ordinary Shares (plus VAT), payable quarterly in arrears.

In line with common practice in the private equity industry, the Manager may charge arrangement fees to companies in which it invests. The Manager may retain these fees for its own benefit subject to full disclosure having been made to the Board. It may also receive all directors' fees or monitoring fees from investee companies. The Manager will be responsible for costs incurred on aborted transactions.

9.2 *Performance Incentive Fee*

Conditional on Shareholder approval at the EGM, in line with normal VCT practice, the Manager will be entitled to receive a performance related incentive fee in order to align the interests of the Manager as closely as possible with those of the Investors and to encourage and reward exceptional performance. The incentive fee structure is designed to encourage significant tax-free payments to Investors, initially by means of the Partial Offer and tax-free dividends, as well as capital growth.

No incentive fee will be paid in respect of the 'C' Share fund until the Company has returned to Investors in aggregate an amount

equal to 25p in the £1 of the funds raised under the Offers and the Performance Value per 'C' Share is at least 130p.

If this is achieved then the Manager will be entitled to receive the following: (i) 33 per cent of the cumulative dividends paid in relation to financial years starting on or after 1 March 2010 over and above 3 pence per 'C' Share per annum but less than 6 pence per 'C' Share per annum; plus (ii) 20 per cent of the cumulative dividends paid in excess of 6 pence per 'C' Share per annum, less the cumulative amount of any performance fee previously paid in relation to the financial years starting on or after 1 March 2010. The incentive fee will be inclusive of VAT. The amount paid to the Manager in any one year pursuant to the performance incentive fee cannot exceed 20 per cent of the dividends paid to shareholders in that year.

After the conversion of the 'C' Shares into new Ordinary Shares, the new Ordinary Shares received by Investors in exchange for such shares will become subject to the performance incentive fee arrangements applying to the Ordinary Shares, which are similar to those which will apply to the 'C' Shares. No incentive fee will be paid in respect of the Ordinary Share fund until the Company has returned to Investors cumulative dividends equal to at least 3p per Ordinary Share per annum in respect of the financial years starting on or after 1 March 2006 and the Performance Value is at least 130p per Ordinary Share.

9.3 *Administration and Advisory Arrangements*

Under an agreement dated 31 May 2006 DMS provide certain administration services, financial advisory services and services in connection with share repurchases to the Company, for an annual fee of £38,000 per annum (plus VAT and RPI). The agreement is for a minimum period of three years and will be terminable by either party at any time thereafter giving the other twelve months' prior written notice.

9.4 *Annual running costs*

The annual running costs of the Company, being the Directors' fees, professional fees and the costs incurred by the Company in the ordinary course of business (excluding any performance fees payable to the Manager) are capped at 3.25 per cent of the Company's net assets, any excess being met by the Manager or refunded by way of a reduction in its future management fees.

Prior to the Offers, annual running costs, including irrecoverable VAT, are expected to be 3.25 per cent in the year to 28 February 2007.

9.5 *Custody Arrangement*

Certificated investments will be held by the Manager, under the terms of the IMA. Certificated investments may also be held by a custodian appointed by the Company from time to time, under the terms of the IMA. Uncertificated investments will be held by a dematerialised custodian, which is currently Evolution Securities Limited, a private company limited by shares incorporated in England on 14 November 1988 with registered number 2316630 and with registered address 9th Floor, 100 Wood Street, London EC2V 7AN, under the terms of the IMA. The Manager is responsible for appointing and dealing with the dematerialised custodian in accordance with the procedures and controls set out in the IMA and the Manager's usual terms and conditions in force from time to time. Neither the Manager nor any custodian

appointed by the Company will take legal ownership of the Company's assets.

9.6 Reporting to Shareholders

The Directors strongly believe in the importance of good communication with Shareholders. Shareholders will receive a copy of the Company's annual report and accounts (expected to be published each May) and a copy of the Company's interim results (expected to be published each November). In addition, quarterly announcements of the Company's net asset value will be released to the London Stock Exchange,

The Manager will also provide Shareholders with additional information relating to new investments made by the Company, significant developments at portfolio companies and realisations of investments. Shareholders may elect to receive this information by e-mail and, in that case, should ensure that their e-mail address is entered at the appropriate place on the Application Form. This information will also be available on the Beringea web site and released, where required, to the London Stock Exchange. All Qualifying Subscribers will be provided with certificates enabling them to claim income tax relief.

10. The Offers

10.1 Costs of Offers

Beringea has agreed to take responsibility for all the costs of the Offers, including initial commission paid to authorised financial intermediaries, in return for a fee of 5.5 per cent of the gross proceeds of the Offers (i.e. 5.5p per 'C' Share). As the initial costs of the Offers are fixed at 5.5 per cent of the gross proceeds, the net proceeds of the Offers will be 94.5p per 'C' Share and £14,175,000 at the maximum subscription. The Manager has agreed to indemnify the Company in respect of any excess expenses.

Further details of the commission to be paid to authorised financial intermediaries is set out in paragraph 12.4 of this Part I on page 16 of this document.

10.2 Subscriptions

Investors wishing to subscribe for 'C' Shares under the Offers may do so by completing the Application Form(s) attached at the end of this document. Details of how to complete the Application Forms are set out under the heading "Application Procedure" on pages 33 to 35 of this document. The Offers are subject to the passing of the Resolutions at the EGM. The Offers are not underwritten.

A maximum of 15,000,000 'C' Shares, which are being offered to the UK public, are being made available under the two Offers in order to enable investment in two different tax years. Investors may post-date their cheques to 6 April 2007 for applications in respect of the 2007/2008 Offer. In the event that applications are received in excess of the maximum subscription under the Offers, the Directors reserve the right to use their absolute discretion in the allocation of successful applications. Applications under the Offers will be processed upon receipt. Applications accompanied by post dated cheques will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date. Multiple subscriptions by Investors are permitted.

Application Forms received from Investors by 5.00 p.m. on 29 December 2006 will be able to subscribe for their shares at a 1 per cent discount to the Offer price. The total value of the applicable discount will be reinvested in additional 'C' Shares at 100p per share. Accordingly, if the minimum of £5,000 is subscribed for, applicants who return their Application Forms before this date will receive 50 additional 'C' Shares.

Shareholders in ProVen VCT or PGI VCT who reinvest the ProVen VCT Mergermarket Dividend and/or the PGI VCT Mergermarket Dividend in the Offers and whose application forms are received before 5.00 p.m. on 28 November 2006 (save that the Directors reserve the right to extend this date at their absolute discretion), will receive 45 extra 'C' Shares for each £1,000 so invested, equivalent to a discount of 4.3 per cent on the normal subscription price per 'C' Share. Any such dividend reinvestment will only attract this reinvestment discount and will not be eligible for the Early Discount.

The minimum application level per Investor under the Offers is £5,000 (5,000 'C' Shares), except there is no minimum application level for Investors who reinvest a Mergermarket Dividend. There is no maximum investment although tax reliefs are only available on a maximum investment of £200,000 per individual in all VCTs in any one tax year. A husband and wife can each invest up to £200,000 in any one tax year with each enjoying the tax reliefs.

The subscription list for the Offers will open on 14 November 2006 and close at 5.00 p.m. on 5 April 2007 for the 2006/2007 Offer and at 5.00 p.m. on 31 May 2007 for the 2007/2008 Offer (or at any earlier date on which the Offers are fully subscribed) save that the Directors reserve the right to extend the closing date of the 2007/2008 Offers. The result of the Offers will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Services Authority. Shares will be allotted and issued in respect of valid applications in respect of the 2006/2007 Offer on 5 April 2007, and any other dates on which the Directors decide, and in respect of the 2007/2008 Offer on 31 May 2007 and any other dates after 5 April 2007 on which the Directors decide.

Share certificates (where applicable) and certificates to enable a claim for income tax relief to be made in respect of an investment in 'C' Shares will be posted to Shareholders within 21 days of each allotment. Prior to despatch of definitive share certificates (where applicable), transfers (if any) will be certified against the register. No temporary documents of title will be issued.

Application will be made to the UK Listing Authority for the admission of 15,000,000 'C' Shares. The 'C' Shares will be issued in registered form and be transferable in both certificated and uncertificated form. Temporary documents of title will not be issued. The 'C' Shares will rank for all dividends and other distributions declared, paid or made by the Company thereafter in respect of the 'C' Shares. It is anticipated that dealings in the 'C' Shares will commence within 4 weeks of the issue of such 'C' Shares.

The Company will apply for the 'C' Shares to be admitted to CREST and it is expected that the 'C' Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred. Accordingly, settlement of transactions in the 'C' Shares following Admission may take place within the CREST system if 'C' Shareholders wish.

No taxation will be withheld at source on any income arising from the 'C' Shares and the Company assumes no responsibility for such withholding.

There will not be any dilution of the net asset value of the Ordinary Shares as a result of the Offers.

11. The Sponsor

The Offers are sponsored by Howard Kennedy, which is authorised and regulated by the Financial Services Authority, and whose principal place of business is 19 Cavendish Square, London W1A 2AW.

12. Additional Information

12.1 Incorporation

The Company was incorporated in England and Wales as a public company with limited liability on 18 January 2000 with the name of ProVen VCT plc and with registered number 3911323. The principal legislation under which the Company operates, and under which the 'C' Shares have been created, is the Act and regulations made thereunder.

12.2 Duration of the Company

Although it is not intended that the Company should have a limited life, Shareholders have the opportunity to review its future in 2008 and, thereafter, at five yearly intervals. However, a resolution has been proposed to amend the articles of association of the Company so that they contain provisions requiring the Directors to propose a resolution at the Company's annual general meeting in 2012 to seek confirmation from Shareholders that it should continue as a VCT and, if passed, a similar resolution will be proposed at five yearly intervals thereafter. For the resolution not to be passed, Shareholders holding more than 25 per cent of the Shares then in issue must vote (in person or by proxy) against the resolution. If the resolution to continue is not passed, the Directors will, within the following nine months, convene an extraordinary general meeting at which new proposals for the re-organisation, unitisation or voluntary liquidation of the Company will be submitted to Shareholders, as is deemed appropriate at that time.

12.3 Borrowing Policy

The Articles allow the Company to borrow up to an amount equal to 15 per cent of its adjusted capital and reserves. Although the Directors have no present intention of using this power, it has been made available to give the Company flexibility, if required, in future unforeseen circumstances. A summary of the borrowing powers of the Company contained in the Articles is set out in paragraph 5.10 of Part IV on page 42 of the Share Registration Document.

12.4 Intermediary Commissions

Authorised financial intermediaries who stamp the Application Form will generally be entitled to receive commission on the amount invested by their client, other than on amounts invested from Mergermarket Dividends. Introductory commission will be paid to authorised financial intermediaries normally at a rate of either 3 per cent or 2.25 per cent on the value (at the Offer price) of successful applications submitted through them. For those authorised financial intermediaries who elect to take an

introductory commission of 2.25 per cent, the Company will pay an additional annual trail commission, normally of 0.375 per cent of the net asset value of the 'C' Shares held by investors who submitted applications under the Offers through the intermediary. However, the initial rate of commission payable under this option will increase to 3.25 per cent for applications received by 5.00 p.m. on 29 December 2006. The annual trail commission will normally be paid for six years, starting in June 2008, subject to a maximum aggregate annual commission (initial and trail) of 4.5 per cent, and will cease to be payable if the shares are sold or the Company is wound up. Intermediaries must substantiate the interests of investors who hold their 'C' Shares through nominees to the satisfaction of the Manager. Commission will not normally be payable on any reinvestment scheme effected by the Company.

Financial intermediaries may agree to waive all or part of the initial commission in respect of an application. If this is the case, additional 'C' Shares will be allotted to the Investor and the waived commission will be used to satisfy the subscription price of such 'C' Shares. Intermediaries must indicate on the Application Form the basis on which they wish to receive their commission.

For amounts invested from Mergermarket Dividends, authorised financial intermediaries will receive a 1 per cent introductory commission only on applications submitted through them and no annual trail commission will be paid.

12.5 New Special Reserve

The Directors are aware of the possibility that the 'C' Shares may trade at a discount to their net asset value at some point. The Directors consider that the Company should have the ability to purchase its 'C' Shares in the market (such shares to be automatically cancelled) with the aim of reducing any discount and increasing the net asset value per 'C' Share of the remaining 'C' Shares. In the view of the Directors the awareness of Investors that the Company has such a capability may tend to moderate the scale of any discount which may emerge and the action of buying in 'C' Shares should enable any such discount to be narrowed.

The Act provides that a public company may only purchase its own shares out of distributable profits or out of the proceeds of a fresh issue of shares made for the purpose of the purchase. Subject to confirmation from HM Revenue & Customs that such proposals will not adversely affect the Company's VCT status and Court approval, the Company may decide to reduce and/or cancel its share premium account (created on the issue of the 'C' Shares pursuant to the Offers) and to establish a new special reserve, which may be treated as a distributable profit, out of which purchases of 'C' Shares can be made subject to regulations, VCT rules and companies legislation.

12.6 Stamp duty and close company status

The Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the 'C' Shares issued under the Offers.

On the issue of the 'C' Shares pursuant to the Offers, the Company will not be a close company for tax purposes.

12.7 Sources

Information in the Prospectus sourced from third parties has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third parties, no facts have been omitted which would render such information inaccurate or misleading.

12.8 Material interests

Beringea will be paid an annual investment management fee equal to 2 per cent per annum of the aggregate net asset value of the 'C' Shares issued under the Offers (plus VAT) until the merger of the 'C' Shares with the Ordinary Shares, at which point the investment management fee will be that applying to the Ordinary Shares (currently an annual fee equivalent to 2 per cent of the aggregate net asset value of the Ordinary Shares (plus VAT)). In line with normal VCT practice, the Manager will also be entitled to receive a performance related incentive fee in order to align the interests of the Manager as closely as possible with those of the Investors and to encourage and reward exceptional performance. Further details of these arrangements are set out at paragraphs 9.1 and 9.2 of Part I on page 14 of this document and at paragraphs 8(b) and (c) of Part V on pages 47 to 48 of the Share Registration Document. In addition, Beringea will receive an initial fee of 5.5 per cent of the gross proceeds of the Offers (i.e. 5.5p per 'C' Share) in return for taking responsibility for all the costs of the Offers, including initial commission paid to authorised financial intermediaries. Further details of this arrangement is set out at paragraph 8(a) of Part V on pages 46 to 47 of the Share Registration Document.

Alexander Spiro, Jr is a director of Beringea and Beringea's ultimate holding company, Beringea LLC, and Beringea is a party to the material contracts set out in paragraph 8(a), (b) and (c) of Part V on pages 46 to 48 of the Share Registration Document.

Nicholas Lewis is a director and significant shareholder of DCF (the parent company of DMS). DMS is party to the material contracts set out in paragraphs 8(d) of Part V on page 48 of the Share Registration Document and DCF is party to the material contract set out in paragraph 8(p) of Part V on page 50 of the Share Registration Document.

12.9 Investor profile

A typical Investor will be an individual (not a corporate), who is aged 18 or over and pays UK income tax who already has a portfolio of non-VCT investments such as unit trusts/OEICs, investment trusts and direct shareholdings in listed companies. The individual should be willing to invest over the medium to long term and be comfortable with higher risk investments.

13. Taxation and HM Revenue & Customs Approval

The Directors intend to conduct the affairs of the Company so that it satisfies the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted the Company approval under Section 842AA ICTA as a VCT. The Company intends to comply with Section 842AA ICTA and has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

14. Working Capital and Capitalisation and Indebtedness Statements

14.1 Working Capital

In the opinion of the Company the working capital available to the Company is sufficient for its present requirements, that is for at least 12 months from the date of this document.

14.2 Statement of capitalisation and indebtedness

The following table shows the capitalisation of the Company as at 31 August 2006, the last date in respect of which unaudited interim financial information on the Company has been published, (extracted from the unaudited interim financial information for the six months ended 31 August 2006).

	£'000
Total current debt	
Guaranteed	—
Secured	—
Unguaranteed/secured	236
Total non-current debt	
Guaranteed	—
Secured	—
Unguaranteed/secured	—
Shareholders' equity	
Share capital	1,187
Share premium	3,759
Other reserves	26,849
	<u>32,031</u>

On 17 October 2006, the Board declared the payment of a special dividend of 31p per share. The dividend will be paid on 7 December 2006 to Ordinary Shareholders on the register at 3 November 2006. The estimated capitalisation of the Company as at the date of this document, on the basis of unaudited financial information for the six months ended 31 August 2006 but after the payment of the dividend and accruing for the possible related performance incentive fee is approximately £23.2 million.

The following table shows the Company's net indebtedness as at 31 August 2006 (extracted from the unaudited interim financial information for the six months ended 31 August 2006).

	£'000
A. Cash	2,531
B. Cash equivalents	4,750
C. Trading securities	—
D. Liquidity (A+B+C)	7,281
E. Current financial receivables	278
F. Current bank debt	—
G. Current position of non current debt	—
H. Other current financial debt	236
I. Current financial debt (F+G+H)	236
J. Net current financial indebtedness (I-E-D)	(7,323)
K. Non-current bank loans	—
L. Bonds issued	—
M. Other non-current loans	—
N. Non-current financial indebtedness (K+L+M)	—
O. Net financial indebtedness (J+N)	(7,323)

There is no contingent or indirect indebtedness.

15. Overseas Investors

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase Shares unless, in such territory, such offer or invitation could lawfully be made. It is the responsibility of any person outside the UK wishing to make an application to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offers will be

required to warrant that they are not a US person as defined under the United States Securities Act 1933, nor a resident of Canada.

16. Availability of the Prospectus

Copies of this document, the Share Registration Document and the Summary are available for inspection only during normal business hours on any weekday (Saturdays and public holidays excepted) at the UK Listing Authority's Document Viewing Facility at 25 The North Colonnade, London E14 5HS and may be obtained, free of charge, whilst the Offers remain open, from the Company's registered office or from Beringea, 39 Earlham Street, London WC2H 9LT (telephone 020 7845 7820, email info@beringea.co.uk), or can be downloaded at www.provenvcts.com.

Part II: Taxation Considerations and VCT Status

1. Taxation considerations for Shareholders

The following is only a summary of the law concerning the tax position of individual investors in VCTs. Potential investors who are in any doubt about the taxation consequences of investing in a VCT are recommended to consult a professional advisor.

1.1 Tax Reliefs

The tax reliefs set out below are available to individuals aged 18 or over who subscribe under the Offers for 'C' Shares. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should seek professional advice.

(a) Income Tax

(i) Relief from income tax on investment

Income tax relief at the rate of 30 per cent will be available on subscriptions for 'C' Shares up to a maximum of £200,000 in any tax year. This relief is limited to the amount which reduces the Investor's income tax liability to nil.

The effect of this relief for an Investor subscribing £10,000 for 'C' Shares is shown below:

	No VCT tax relief	30 per cent income tax relief
Initial investment	£10,000	£10,000
30 per cent income tax relief	—	(£3,000)
Effective investment cost	£10,000	£7,000

To obtain relief an Investor must subscribe on his own behalf although the 'C' Shares may subsequently be transferred to a nominee. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

(ii) Dividend relief

An Investor who acquires in any tax year VCT shares having a value of up to £200,000 will not be liable to income tax on dividends paid by the VCT on those shares.

(iii) Purchasers in the market

An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on investment (as described in paragraph (i) above).

(iv) Withdrawal of relief

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period.

(b) Capital gains tax

(i) Relief from capital gains tax on the disposal of shares

A disposal by an Investor of 'C' Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

(ii) Purchasers in the market

An individual purchaser of 'C' Shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph b (i) above).

1.2 Obtaining tax reliefs

The Company will provide to each Investor a certificate which the Investor may use to claim income tax relief, either by obtaining from HM Revenue & Customs an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

1.3 Investors not resident in the UK

Investors not resident in the UK should seek professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

1.4 Withdrawal of Approval

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

2. Tax position of the Company

The Company will have to satisfy a number of tests to qualify as a VCT. A summary of these tests is set out below.

2.1 Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HM Revenue & Customs. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital quoted on the London Stock Exchange;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70 per cent by value of its investments in shares or securities in Qualifying Investments, of which 30 per cent by value must be in ordinary shares carrying

no preferential rights to dividends, assets on a winding up, or redemption;

- (e) have at least 10 per cent by value of its Qualifying Investments in any single company or group in ordinary shares which carry no preferential rights to dividends or assets on a winding-up and no rights to be redeemed;
- (f) not have more than 15 per cent by value of its investments in a single company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- (g) not retain more than 15 per cent of its income derived from shares and securities in any accounting period.

2.2 *Qualifying Investments*

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions and for which not more than £1 million was subscribed by the VCT in any one tax year (nor more than £1 million in, broadly, any period of 6 months straddling two tax years). The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £7 million immediately before and £8 million immediately after the investment, apply the money raised for the purposes of a Qualifying Trade within certain time periods and not be controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into part Qualifying Investment and part non-Qualifying Investment.

2.3 *Qualifying Companies*

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on OFEX and AIM) and must carry on a Qualifying Trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The Qualifying Trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a Qualifying Subsidiary (which is at least 90 per cent owned by the Qualifying Company) at the time of the issue of shares or securities to the VCT (and at all times thereafter). The trade must be carried on wholly or mainly in the UK but the company need not be UK resident. A company intending to carry

on a Qualifying Trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than Qualifying Subsidiaries which must be more than 50 per cent owned.

2.4 *Approval as a VCT*

A VCT must be approved at all times by HM Revenue & Customs. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HM Revenue & Customs is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, in order to facilitate the launch of a VCT, HM Revenue & Customs may approve a VCT notwithstanding that certain of the tests are not met at the time of application, provided HM Revenue & Customs is satisfied that the tests will be met within certain time limits. In particular, in the case of the test described at 2.1(d) above, approval may be given if HM Revenue & Customs is satisfied that this will be met throughout an accounting period of the VCT beginning no more than three years after the date on which approval takes effect.

HM Revenue & Customs has granted approval of the Company as a VCT under section 842AA(4) ICTA. HM Revenue & Customs has confirmed that, following the Offers, the Company will retain its provisional approval. It is intended that the business of the Company is carried on so as to continue to comply with that section.

2.5 *Withdrawal of Approval*

Approval of a VCT may be withdrawn by HM Revenue & Customs if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT.

Part III: Creation and details of the 'C' Shares

1. Creation of the 'C' Shares

The following resolutions are proposed at the EGM, to be held on 20 December 2006:

Ordinary Resolutions

- (1) THAT the authorised share capital of the Company be and is hereby increased from £1,750,000 to £8,000,000 by the creation of 25,000,000 'C' Shares each having attached thereto the rights and privileges and being subject to the limitations and restrictions set out in the Articles of Association of the Company as amended by resolution 5(i);
- (2) THAT, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (as amended and enforced from time to time) (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that Section) in connection with (i) the Offers up to an aggregate nominal amount of £3,750,000 and (ii) the allotment for cash (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of 10 per cent of the issued 'C' Share capital of the Company immediately following the final closing of the Offers, during the period commencing on the passing of this special resolution and expiring on 19 December 2011 (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and all previous authorities given by the Directors in accordance with Section 80 of the Act be and are hereby revoked (save for the authority conferred by resolution 7 passed at the annual general meeting of the Company held on 21 September 2006), provided that such revocation shall not have retrospective effect;
- (3) THAT, the proposed new management and fee arrangements for Beringea Limited in relation to the Company as set out in paragraph 3 of Part II of the circular to Shareholders dated 14 November 2006 be and hereby are approved;

Special Resolutions

- (4) THAT, in substitution for any existing power under Section 95 of the Act (save for the power conferred by resolution 8 passed at the annual general meeting of the Company held on 21 September 2006), but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, during the period commencing on the passing of this special resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the earlier (unless previously revoked, varied or

extended by the Company in general meeting), pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority given in accordance with Section 80 of the Act, pursuant to special resolution 1 above, as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities in connection with:

- (i) the Offers;
- (ii) an offer of securities by way of rights; and
- (iii) the allotment for cash (otherwise than pursuant to sub-paragraph (i) and (ii) above) of equity securities up to an aggregate nominal amount of 10 per cent of the issued 'C' Share capital of the Company immediately following the final closing of the Offers,

but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired;

- (5) THAT, the Memorandum and Articles of Association of the Company be and are hereby amended:
 - (i) to reflect the increase in the authorised share capital and the rights and restrictions to be attached to the 'C' Shares and the deferred shares (as defined therein) as set out in the Appendix to the Notice of Extraordinary General Meeting produced to the meeting and signed by the Chairman for the purposes of identification;
 - (ii) by the removal of the existing Article 175 relating to the duration of the Company and its substitution with the following new article 175:

"DURATION OF COMPANY

175. At the annual general meeting of the Company held in 2012 and, if the Company has not then been liquidated, reorganised or reconstructed, at the fifth annual general meeting of the Company convened by the Directors thereafter, the Directors shall propose an ordinary resolution that the Company should continue as a venture capital trust for a further five year period. If such ordinary resolution is not passed the Directors shall draw up proposals for the voluntary liquidation reconstruction or other reorganisation of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Directors for a date not more than nine months after the date of the meeting at which such ordinary resolution was not passed. The Directors shall use all reasonable endeavours to ensure that such proposals for the liquidation, reorganisation or reconstruction of the Company as are approved by special resolution are implemented as soon as is reasonably practicable

after the passing of such resolution. For the purposes of this Regulation 175 an ordinary resolution will not have been carried only if those members in person or by proxy who vote against the resolution hold in aggregate not less than twenty-five per cent of the issued capital of the Company at such time entitled to attend vote at such a meeting.”; and

- (ii) by the removal of the existing Article 176 relating to indemnities and its substitution with the following new article 176:

“INDEMNITY

176. Insofar as permitted under the Act and subject to the provisions of this Article, every Director or other officer (save for an officer who is employed as auditor of the Company) of the Company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution of his duties of his office or otherwise in relation thereto, in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company save that a Director of the Company shall not be entitled to be indemnified against any costs, charges, losses expenses or liabilities incurred:

- (a) to the Company or an associated company (as defined in section 309A(6) of the Act);
- (b) to pay a fine imposed in criminal proceedings;
- (c) to pay a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature, however arising;
- (d) in defending any criminal proceedings in which he is convicted;
- (e) in defending any civil proceedings brought by the Company or an associated company in which judgment is given against him;
- (f) in connection with an application under section 144(3) or (4) of the Act in which the court refuses to grant him relief; or
- (g) in connection with an application under section 727 of the Act in which the court refuses to grant him relief.

No Officer of the Company other than a Director shall be liable for any loss, damage, or misfortune, which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto.

The Company shall have power to purchase and maintain for any director or officer of the Company or any associated company (as defined in section 309A(6) of the Act) insurance against any liability referred to in section 309A(1) of the Act.

The Company may provide any Director of the Company with funds to meet expenditure incurred or to be incurred by him:

- (a) in defending any civil or criminal proceedings brought against him in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company; or
- (b) in connection with any application to the court for relief from liability under section 144(3) or (4) of the Act for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company,

and the Company shall be permitted to do anything which would otherwise be prohibited under section 330 of the Act to enable a Director to avoid incurring such expenditure, provided that if the Director is convicted or judgment is given against him or if the court refused to grant relief, and upon such conviction or judgement or refusal becoming final (within the meaning of the Act), the Director shall become liable to repay to the Company the full amount of any such funds provided to him and any liability incurred by the Company to avoid a Director incurring any such expenditure shall fall to be discharged.”;

- (6) THAT, on the date on which the ‘C’ Shares convert into new Ordinary Shares the share capital of the Company as set out in the Memorandum and Articles of Association of the Company shall be altered by the sub-division in accordance with the provisions of the Articles of Association of the Company (as amended pursuant to resolution 5(ii)) of the existing ‘C’ Shares into five ‘C’ Shares of 5p each;
- (7) THAT immediately after such sub-division set out in resolution 6, the share capital of the Company shall be altered by the conversion of the existing ‘C’ Shares into Ordinary Shares and deferred shares and the repurchase and re-designation of the deferred shares, all as set out in the Articles of Association of the Company (as amended pursuant to resolution 5(ii)) and the altered share capital be notified to the Registrar of Companies;
- (8) THAT, in substitution for any existing authority (save for the authority conferred by resolution 9 passed at the annual general meeting of the Company held on 21 September 2006) but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ‘C’ Shares provided that:
 - (i) the maximum aggregate number of ‘C’ Shares authorised to be purchased is such number thereof being 14.99 per cent of the issued ‘C’ Shares immediately following the final closing of the Offers;
 - (ii) the maximum price which may be paid for a ‘C’ Share is an amount equal to the maximum amount permitted to be paid in accordance with the

rules of the UK Listing Authority in force as at the date of purchase;

- (iii) the minimum price which may be paid for a 'C' Share is its respective nominal value;
 - (iv) this authority shall take effect from 20 December 2006 and shall expire at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever ever is the earlier; and
 - (v) the Company may make a contract or contracts to purchase 'C' Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of 'C' Shares in pursuance of any such contract or contracts; and
- (9) THAT, subject to the sanction of the High Court the share premium account to be created upon the issue of the 'C' Shares be cancelled.

2. Details of the 'C' Shares and Conversion

Subject to the passing of the resolutions set out at paragraph 1 above the rights and restrictions attaching to the 'C' Shares, Ordinary Shares and Deferred Shares (as defined below) will be as follows:

2.1 Definitions

The following definitions apply to this paragraph 2:

"Articles" means the Articles of Association of the Company following the amendments proposed to be made at the EGM;

"Auditors" means Deloitte & Touche LLP or such other auditors as the Company may from time to time appoint;

"Board" means the board of directors of the Company;

"Business Day" means any day on which banks are generally open for business in London, other than a Saturday;

"'C' Share Offers" means the proposed offers for subscription of 'C' Shares to be dated on or around 14 November 2006;

"Calculation Date" means 31 August 2012 unless prior to that date the Directors have either resolved that:

- (i) Force Majeure Circumstances have arisen or are imminent, in which event the Calculation Date is close of business on the day on which the Directors so resolve; or
- (ii) in their opinion, it is in the best interests of Shareholders that Conversion should take place on a different date, in which event the Calculation Date is close of business on such other day as the Directors resolve to be in the best interest of the Shareholders;

"Conversion" means conversion of the 'C' Shares in accordance with paragraph 2.8 below;

"Conversion Date" means a date following after the Calculation Date, being close of business on such business day as may be selected by the Directors and falling not more than 91 days after the Calculation Date;

"Conversion Ratio" is the ratio of the net asset value per 'C' Share to the net asset value per Ordinary Share, which is calculated as:

$$\frac{A}{B} \quad \text{where } A = \frac{C-D}{E} \text{ and } B = \frac{F-C-G+D}{H} \quad \text{and where}$$

C is the aggregate of:

- (i) the value of the investments of the Company attributable to the 'C' Shares (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are in each case to be valued in accordance with (ii) below) which are listed or dealt in on a stock exchange calculated by reference to the bid quotations at close of business, or, if appropriate, the daily average of the prices marked for those investments on the Calculation Date on the principal stock exchange or market where the relevant investment is listed or dealt in or traded, as derived from the relevant exchange's or market's recognised method of publication of prices for such investments where such published prices are available; and
- (ii) the value of all other investments of the Company attributable to the 'C' Shares (other than investments included in (i) above) calculated by reference to the Directors' belief as to fair current value for those investments after taking into account any other price publication services reasonably available to the Directors; and
- (iii) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company attributable to the 'C' Shares (excluding the investments valued under (i) and (ii) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature);

D is the amount (to the extent not otherwise deducted from the assets attributable to the 'C' Shares) which, in the Directors' opinion, fairly reflects the amount of liabilities of the Company attributable to the 'C' Shares on the Calculation Date;

E is the number of 'C' Shares in issue on the Calculation Date;

F is the aggregate of:

- (i) the value of all the investments of the Company (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are in each case to be valued in accordance with (ii) below) which are listed or dealt in a stock exchange calculated by reference to the bid quotations at close of business, or, if appropriate, the daily average of prices marked for those investments on the Calculation Date on the principal stock exchange or market where the relevant investment is listed or dealt in as derived from the relevant exchange's or market's recognised method of publication of prices for such investments where such published prices are available; and
- (ii) the value of all investments of the Company (other than investments included in (i) above) calculated by reference to the Directors' belief as to a fair and current value for those investments after taking into account any other price

publication services reasonably available to the Directors;
and

- (iii) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company (excluding the investments valued under (i) and (ii) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature);

G is the amount (to the extent not otherwise deducted in the calculation of F) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company on the Calculation Date;

H is the number of Ordinary Shares in issue on the Calculation Date;

Provided that the Directors shall make such adjustments to the value or amount of A and B as the Auditors shall report to be appropriate having regard among other things, to the assets of the Company immediately prior to the Issue Date and/or to the reasons for the issue of 'C' Shares referred to in the Prospectus.

"'C' Shares" means the convertible shares of 25p each (unless the context otherwise requires) in the capital of the Company carrying the rights set out in paragraphs 2.2 to 2.7 (inclusive) below;

"Deferred Shares" means deferred shares of 5p each in the capital of the Company arising on Conversion;

"Existing Ordinary Shares" means the Ordinary Shares in issue immediately prior to Conversion;

"Force Majeure Circumstances" means (i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable; (ii) the issue of any proceedings challenging or seeking to challenge the power of the Company and/or its Directors to issue the 'C' Shares with the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are proposed to be issued; or (iii) the convening of any general meeting of the Company at which a resolution is to be proposed to wind-up the Company, whichever shall happen earliest;

"Investment Manager" means Beringea Limited or such other investment manager as the Company may from time to time appoint;

"Issue Date" means the day on which the Company first receives Net Proceeds of the 'C' Share Offers;

"Net Proceeds" means the net cash proceeds of the issue of the 'C' Shares (after deduction of those commissions and expenses relating thereto and payable by the Company);

"New Ordinary Shares" means the new Ordinary Shares, in registered form, arising on Conversion;

"Ordinary Shares" means ordinary shares of 5p each of the Company;

"Prospectus" means the Prospectus for the 'C' Share Offers to be issued by the Company; and

"Qualifying Company" means a company satisfying the conditions of Schedule 28B of the Income and Corporation Taxes Act 1988 (as amended).

References to the Auditors confirming any matter shall be construed to mean confirmation of their opinion as to such matter whether qualified or not.

References to ordinary Shareholders and 'C' Shareholders and Deferred Shareholders should be construed as references to holders for the time being of Ordinary Shares, 'C' Shares and Deferred Shares, respectively.

2.2 Rights to be paid dividends

The holders of the Ordinary Shares, the 'C' Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights to be paid dividends:

- (a) the Deferred Shares (to the extent that any are in issue and extant) shall entitle the holders thereof to a non-cumulative dividend at a fixed rate of 1 per cent of the nominal amount thereof ("the Deferred Dividend") on the date six months after the Conversion Date payable to the holders thereof on the register of members on that date as holders of Deferred Shares but shall confer no other right, save as provided herein, on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the date six months after the Conversion Date and shall then only be payable to those holders of Deferred Shares registered in the register of member of the Company as holders of Deferred Shares on that date. It should be noted that given the possible repurchase of the Deferred Shares as described below, it is not expected that any dividends will accrue or be paid on such shares;
- (b) the 'C' Shareholders shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of the net assets attributable to the 'C' Shares and from income received and accrued which is attributable to the 'C' Shares;
- (c) the Existing Ordinary Shares shall confer the right to dividends declared in accordance with the Articles;
- (d) the New Ordinary Shares shall rank *pari passu* with the Existing Ordinary Share for dividends and other distributions declared by reference to a record date falling after the Calculation Date;
- (e) no dividend or other distribution shall be made or paid by the Company on any of its Shares between the Calculation Date and the Conversion Date (both dates inclusive) and no dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).

2.3 Rights as to capital

The holders of the Ordinary Shares, the 'C' Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights as to capital:

- (a) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its Shares) prior to conversion be applied amongst the ordinary Shareholders *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares after having deducted therefrom an amount equivalent to (C-D) using the

methods of calculation of C and D given in the definition of Conversion Ratio, which amount shall be applied amongst the 'C' Shareholders *pro rata* according to the nominal capital paid up on their holdings of 'C' Shares, and for the purposes of this paragraph the Calculation Date shall be such date as the liquidator may determine; and

- (b) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) after Conversion be applied as follows:
- (i) firstly, if there are Deferred Shares in issue, in paying to the deferred Shareholders 1p in respect of every 1,000,000 deferred shares (or part thereof) of which they are respectively the holders; and
 - (ii) secondly, the surplus shall be divided amongst the ordinary Shareholders *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares.

2.4 General meetings

The 'C' Shares shall carry the right to receive notice of and to attend or vote at any general meeting of the Company. The Deferred Shares shall not carry any right to receive notice of or to attend or vote at any general meeting of the Company. The voting rights of the Ordinary Shares are not affected.

2.5 Deferred shares

The following shall apply to the Deferred Shares:

- (a) the 'C' Shares are issued on such terms that the Deferred Shares (but not the New Ordinary Shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out herein;
- (b) immediately upon Conversion, the Company shall repurchase all of the Deferred Shares which arise as a result of the Conversion for an aggregate consideration of 1p for every 1,000,000 Deferred Shares and the notice referred to in paragraph 2.8(b) below shall be deemed to constitute notice to each 'C' Shareholder (an any person or persons having rights to acquire 'C' Shares on or after the Calculation Date) that the Deferred Shares shall be repurchased immediately upon Conversion for an aggregate consideration of 1p for each holding of 1,000,000 Deferred Shares. On repurchase, each Deferred Share shall be treated as cancelled in accordance with section 160(4) of the Companies Act 1985 and the resulting authorised but unissued share capital shall *ipso facto* be reclassified and re-designated as Ordinary Shares without further resolution or consent; and
- (c) the Company shall not be obliged to (a) issue share certificates to the deferred Shareholders in respect of the Deferred Shares; and (b) account to any deferred Shareholder for the repurchase monies in respect of such shares.

2.6 Special rights

Until Conversion it shall be a special right attaching both to the Existing Ordinary Shares as a class and to the 'C' Shares as a

class that save with the sanction or consent of such holders given in accordance with the Company's Articles:

- (i) no alteration shall be made to the Memorandum of Association or Articles of the Company;
- (ii) no alteration, increase, consolidation, division, subdivision, cancellation, reduction or purchase by the Company of any issued or authorised share capital of the Company shall take place (other than (a) pursuant to the authority conferred by the special resolution set out in the notice of Extraordinary General Meeting of the Company, (b) on Conversion and (c) on repurchase of the deferred shares in accordance with the provisions of the Articles);
- (iii) no allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company shall be made; and
- (iv) no resolution of the Company shall be passed to wind up the Company.

2.7 Pre Conversion rights

Until Conversion and without prejudice to its obligations under applicable laws, the Company shall:

- (a) procure that the Company's records and bank and custody accounts shall be operated so that the assets attributable to the 'C' Shares can, at all times, be separately identified and, in particular, but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the 'C' Shares;
- (b) allocate to the assets attributable to the 'C' Shares such proportion of the income, expenses and liabilities of the Company incurred or accrued between the Issue Date and Calculation Date (both dates inclusive) as the Directors fairly consider to be attributable to the 'C' Shares; and
- (c) give appropriate instructions to the Investment Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

2.8 Conversion

The 'C' Shares shall be sub-divided and converted into New Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the following provisions of this paragraph 2.8:

- (a) The Directors shall procure that within 91 business days of the Calculation Date:
 - (i) the Conversion Ratio as at the Calculation Date and the numbers of New Ordinary Shares and Deferred Shares to which each 'C' Shareholder shall be entitled on Conversion shall be calculated; and
 - (ii) the Auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Articles and are arithmetically accurate whereupon such calculations shall become final and binding on the Company and all

holders of Ordinary Shares and 'C' Shares, subject to the provision immediately after the definition of 'H' in paragraph 2.1 above.

- (b) The Directors shall procure that, as soon as practicable following such information and in any event within 91 business days of the Calculation Date, a notice is sent to each 'C' Shareholder advising such 'C' Shareholder of the Conversion Date, the Conversion Ratio and the numbers of New Ordinary Shares and Deferred Shares to which 'C' Shareholders will be entitled on Conversion.
- (c) On Conversion each 'C' Share shall automatically subdivide into five 'C' Shares of 5p each and such 'C' Shares of 5p each shall automatically convert into such number of New Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such Conversion being completed:
 - (i) the aggregate number of New Ordinary Shares into which the same number of 'C' Shares of 5p each are converted equals the number of 'C' Shares in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole New Ordinary Share); and
 - (ii) each 'C' Share of 5p which does not so convert into a New Ordinary Share shall convert into one Deferred Share.
- (d) The New Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former 'C' Shareholders *pro rata* according to their respective former holdings of 'C' Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to New Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).
- (e) Forthwith upon Conversion, the share certificates relating to the 'C' Shares shall be cancelled and the Company shall issue to each former 'C' Shareholder new certificates in respect of the New Ordinary Shares which have arisen upon Conversion to which he or she is entitled. Share certificates in respect of the Deferred Shares will not be issued.
- (f) Forthwith upon Conversion, the rights attaching to the 'C' Shares under the Articles shall lapse and those attaching to the Deferred Shares shall lapse upon the repurchase of the Deferred Shares whereupon each Deferred Share comprised in the authorised but unissued capital of the Company shall be re-designated as an Ordinary Share without further resolution or consent.

Part IV: Terms and Conditions of Application

1 In these terms and conditions which apply to the Offers, "Applicant" means a person whose name appears in an Application Form, "Application" means the offer by an Applicant completing an Application Form and posting (or delivering) it to Capita Registrars ("the Receiving Agents") or as otherwise indicated in this document or the Prospectus. Save where the context otherwise requires, words and expressions defined in this document have the same meanings when used in the Application Form and explanatory notes in relation thereto.

The Offers are subject to the passing of the Resolutions at the EGM.

2 The contract created by the acceptance of an Application under the Offers will be conditional on:

- (i) Admission becoming effective; and
- (ii) the Sponsor's Agreement between the Company, the Directors, Beringea, Beringea LLC and Howard Kennedy becoming unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective.

3 The Company reserves the right to present all cheques and bankers' drafts for payment on receipt and to retain share certificates and application monies pending clearance of successful Applicants' cheques and bankers' drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offers. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agents in a separate account. Multiple applications by Investors are permitted.

4 By completing and delivering an Application Form, you:

- (i) offer to subscribe for the number of 'C' Shares specified in your Application Form (or such lesser number for which your Application is accepted) at the Offer Price on the terms of and subject to the conditions contained in this document, including these terms and conditions, and subject to the memorandum and articles of association of the Company;
- (ii) agree that, in consideration of the Company agreeing that it will not on or prior to the Offers closing issue or allot any 'C' Shares the subject of the Offers to any person other than by means of the procedures referred to in this document, your

Application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agents of your Application Form;

- (iii) agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the 'C' Shares until you make payment in cleared funds for such 'C' Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, the Sponsor, and the Receiving Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such 'C' Shares and may issue or allot such 'C' Shares to some other person, in which case you will not be entitled to any payment in respect of such 'C' Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;
- (iv) agree that, in respect of those 'C' Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agents;
- (v) agree that any monies refundable to you may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations and that such monies will not bear interest;
- (vi) authorise the Receiving Agents to send share certificate(s) in respect of the number of 'C' Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such 'C' Shares;
- (vii) agree that all Applications, acceptances of Applications and contracts resulting therefrom shall

- be governed in accordance with English law, and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company or the Sponsor to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
- (viii) confirm that, in making such Application, you are not relying on any information or representation in relation to the Company other than the information contained in this document or the Prospectus announced by the Company or filed with the Registrar of Companies (or any supplementary prospectus so announced or filed) and accordingly you agree that no person responsible solely or jointly for this document, or any part thereof or involved in the preparation thereof shall have any liability for such information or representation;
- (ix) irrevocably authorise the Receiving Agents and/or the Sponsor or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents or of the Sponsor to execute any document required therefor;
- (x) agree that, having had the opportunity to read this document and the Prospectus, you shall be deemed to have had notice of all information and statements concerning the Company and the 'C' Shares contained therein;
- (xi) confirm that you have reviewed the restrictions contained in paragraph 6 below and warrant that you are not a "US Person" as defined in the United States Securities Act of 1933 ("Securities Act") (as amended), nor a resident of Canada and that you are not applying for any 'C' Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
- (xii) declare that you are an individual aged 18 or over;
- (xiii) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agents will be sent at the risk of the Applicant;
- (xiv) agree, on request by the Company, or the Sponsor on behalf of the Company, to disclose promptly in writing to the Company, any information which the Company or the Sponsor may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and authorise the Company and the Sponsor to disclose any information relating to your Application as it considers appropriate;
- (xv) agree that the Sponsor will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the 'C' Shares or the suitability for you of 'C' Shares or be responsible to you for providing the protections afforded to its customers;
- (xvi) where applicable, authorise the Company to make on your behalf any claim to relief from income tax in respect of any dividends paid by the Company;
- (xvii) declare that the Application Form has been completed to the best of your knowledge;
- (xviii) undertake that you will notify the Company if you are not or cease to be either a Qualifying Subscriber or beneficially entitled to the 'C' Shares; and
- (xix) declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring, 'C' Shares and that the 'C' Shares are being acquired for *bona fide* commercial purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax.
- 5 No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.
- 6 The 'C' Shares have not been and will not be registered under the Securities Act, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction ("the USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager will not be registered under the United States Investment Advisers Act of 1940, as amended. No application will be accepted if it bears an address in the USA.
- 7 The basis of allocation will be determined by the Company in its absolute discretion after consultation with the Sponsor. The right is reserved to reject in whole or in part and/or scale down and/or ballot any Application or any part thereof including, without limitation Applications in respect of which any verification of identity which the Company or the Receiving Agents consider may be required for the purposes of the Money Laundering Regulations has not been satisfactorily supplied. Dealings prior to the issue of certificates for Ordinary Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been

accepted to the extent anticipated or at all. If the Resolutions are not passed the Offers will be withdrawn. The Offers will not be withdrawn after dealings in the 'C' Shares have commenced.

8 Save where the context requires otherwise, the terms defined in this document bear the same meaning when used in these Terms and Conditions of Application.

9 Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp and FSA number will normally be paid either:

- (i) 3 per cent of the amount invested by their client (and no trail commission); or
- (ii) 2.25 per cent of the amount invested by their client plus an annual trail commission, usually of 0.375 per cent per annum of the net asset value of the 'C' Shares held by investors who submitted applications under the Offers through the authorised financial intermediary. The trail commission in respect of applications for 'C' Shares is expected to be paid first in June 2008 and annually thereafter (provided that the financial advisor continues to act for the client and the client continues to hold the 'C' Shares) normally for up to six years, subject to a maximum aggregate annual commission (initial and trail) of 4.5 per cent, and will cease to be payable if the Company is wound up. However, the initial rate of commission payable under this option will increase to 3.25 per cent for applications received by 5.00 p.m. on 29 December 2006,

except in respect of investments from Mergermarket Dividends by their clients, for which they will receive a 1 per cent introductory commission only on applications submitted through them and no annual trail commission will be paid.

Beringea will maintain a register of intermediaries entitled to trail commission. Beringea will be entitled to rely on a notification from a client that he has changed his advisor, in which case, the trail commission will cease to be payable to the original advisor and will be payable to the new advisor. No payment of trail commission shall be made to the extent that the aggregate initial and cumulative trail commission would exceed 4.5 per cent of the Offer price of each such 'C' Share. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for trail commission.

Capita Registrars will collate the Application Forms bearing the financial intermediaries' stamps and calculate the initial commission payable which will be paid within 14 days of each allotment.

10 Financial intermediaries may agree to waive initial commission in respect of an Application. If this is the case, then the amount of an Application will be increased by an amount equivalent to the amount of the commission waived.

11 Investors whose Application Forms are received by 5.00 p.m. on 29 December 2006 will be able to subscribe for their 'C' Shares at a 1 per cent discount to the normal subscription price per 'C' Share. The total value of the applicable discount

will be reinvested in additional 'C' Shares. Accordingly, if the minimum of £5,000 is subscribed for, Investors who return their duly completed and valid Application Forms before this date will receive 50 additional 'C' Shares.

12 Shareholders of ProVen VCT who reinvest a ProVen VCT Mergermarket Dividend in the Offers and/or shareholders of PGI VCT who reinvest a PGI VCT Mergermarket Dividend in the Offers, whose Application Forms are received by 5.00 p.m. on 28 November 2006, will be able to subscribe for their 'C' Shares at a 4.3 per cent discount to the normal subscription price per 'C' Share, although the directors reserve the right to extend this date at their absolute discretion. The total value of the applicable discount will be reinvested in additional 'C' Shares. Accordingly, if for example, £1,000 is subscribed for, shareholders who reinvest a ProVen VCT Mergermarket Dividend and/or a PGI VCT Mergermarket Dividend in the Offers and return their duly completed and valid Application Forms before this date will receive 45 additional 'C' Shares. For the avoidance of doubt, the discount referred to in paragraph 11 above is not applicable for Mergermarket Dividends.

13 Money Laundering Regulations

Important note for applications for 15,000 Euros (approximately £10,000) or more in cash

The verification of identity requirements of the Money Laundering Regulations will apply and verification of the identity of the applicant may be required. Failure to provide the necessary evidence of identity may result in the application being treated as invalid or in delay in confirming the application.

If the value of the 'C' Shares applied for exceeds Euros 15,000 (approximately £10,000 as at the date of this document) payment should be made by means of a UK clearing bank cheque drawn in your name on an account in your name. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or banker's draft, you should write your name, address and date of birth on the back of the cheque or banker's draft and:

- (i) if a building society cheque or banker's draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
- (ii) if a cheque is drawn by a third party, you must ensure that both of the following documents are enclosed with Application Form 1: a certified copy of your passport (or your driving licence bearing a photograph and signature of the individual) and a recent (dated within three months preceding the date of application) original bank or building society statement (or utility bill) in your name. A copy passport or driving licence should be certified by a solicitor or bank. Original documents will be returned to you by post at your risk.

This paragraph 13 does not apply to subscriptions for 'C' Shares by way of reinvesting a Mergermarket Dividend.

Part V: Definitions and Glossary

The following definitions are used throughout this document and, except where the context requires otherwise, have the following meanings.

Act	the Companies Act 1985 (as amended)
Admission	admission of the 'C' Shares issued pursuant to the Offers to the Official List and to trading on the London Stock Exchange's market for listed securities
AIM	the Alternative Investment Market of the London Stock Exchange
Application Form(s)	the application form(s) for use in respect of the Offers set out at the end of this document
'C' Shares	'C' Shares of 25p each in the capital of the Company
Company or ProVen VCT	ProVen VCT plc
DCF	Downing Corporate Finance Limited
DMS	Downing Management Services Limited
Directors or Board	the directors of the Company whose names appear on page 32 of this document
Early Discount	as defined on page 5 of this document
EGM	the extraordinary general meeting of the Company (or any adjournment thereof) convened for 20 December 2006
ICTA	Income and Corporation Taxes Act 1988 (as amended)
IMA	as defined in paragraph 8(b) of Part IV of the Share Registration Document
IRR	internal rate of return
Investor	an individual aged 18 or over who is resident in the United Kingdom who subscribes for shares in the Offers
London Stock Exchange	London Stock Exchange plc
Manager or Beringea	Beringea Limited
Mergermarket Dividend(s)	the ProVen VCT Mergermarket Dividend and/or the PGI VCT Mergermarket Dividend (as the context applies)
Money Laundering Regulations	the Money Laundering Regulations 1993, 2001 and 2003, the Proceeds of Crime Act 2002 and all other legislation relating to the handling of terrorist funds or the proceeds of drug trafficking or crimes, together with any relevant guidance issued by the Financial Services Authority or other regulatory body
NAV	net asset value
2006/2007 Offer	the offer for Subscription in respect of 2006/2007 tax year
2007/2008 Offer	the offer for Subscription in respect of 2007/2008 tax year
Offers	the 2006/2007 Offer and the 2007/2008 Offer being offers for subscription of up to, in aggregate, 15,000,000 'C' Shares described in this document
Offer Price	100p per 'C' Share
Official List	the Official List of the UK Listing Authority
Ordinary Shareholders	holders of ordinary shares
Ordinary Shares	ordinary shares of 5p each in the capital of the Company
Partial Offer	the proposed partial offer which is intended to be made by the Company to 'C' Shareholders within 5½ years of the Offers closing, under which it is proposed to return to Investors at least 20p per £1 invested under the Offers
Performance Value	for the relevant financial year end, the sum of (i) the net asset value per share at that date and (ii) all distributions per share declared and/or paid since the first admission of the shares to the Official List of the UK Listing Authority
PGI VCT	ProVen Growth and Income VCT plc

PGI VCT Mergermarket Dividend	the special dividend of 50p per share declared by PGI VCT on 17 October 2006 and to be paid to ordinary shareholders on 7 December 2006, as a result of the sale of Mergermarket Limited
ProVen VCT Mergermarket Dividend	the special dividend of 31p per share declared by the Company on 17 October 2006 and to be paid to Ordinary Shareholders on 7 December 2006, as a result of the sale of Mergermarket Limited
Prospectus	together this document, the Share Registration Document and the Summary
Qualifying Company	a company satisfying the conditions of Schedule 28B ICTA as described in Part II of this document
Qualifying Investment	an investment in an unquoted company which satisfies the requirements of Schedule 28B ICTA, as described in Part II of this document
Qualifying Limit	a total amount of £200,000 per individual invested in VCTs in any one income tax year
Qualifying Subscriber/ Qualifying Investor	an individual who subscribes for 'C' Shares under the Offers and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT
Qualifying Subsidiary	a subsidiary company which falls within the definition of Qualifying Subsidiary contained in paragraph 10 of Schedule 28B ICTA, as described in Part II of this document
Qualifying Trade	a trade complying with the requirements of Schedule 28B ICTA
Receiving Agents	Capita Registrars
Resolutions	the resolutions set out in the notice of EGM contained in the Circular to Shareholders issued by the Company in connection with the Offers
Share(s)	Ordinary Share(s) or 'C' Share(s) as the context requires
Shareholder(s)	holder(s) of Ordinary Shares or 'C' Shares as the context requires
Share Registration Document	the Share Registration Document that together with this document and the Summary constitutes the Prospectus
Summary	the Summary that together with this document and the Share Registration Document constitutes the Prospectus
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
Venture Capital Trust or VCT	a company approved as a venture capital trust under Section 842AA ICTA by the Board of HM Revenue & Customs

Directors and Advisers

Directors (all non-executive)

Andrew John Davison (Chairman)
Barry Malcolm Dean
Nicholas Peter Lewis
Alexander Spiro, Jr

all of
39 Earlham Street
London WC2H 9LT

Company Secretary

Grant Whitehouse

Registered Office

39 Earlham Street
London WC2H 9LT

Investment Manager

Beringea Limited
39 Earlham Street
London WC2H 9LT
0207 845 7820

Administrator

Downing Corporate Finance Limited
69 Eccleston Square
London SW1V 1PJ

Sponsor and Solicitors to the Company and the Offers

Howard Kennedy
19 Cavendish Square
London W1A 2AW

Registered Auditors

Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Bankers

Bank of Scotland (West End Office)
14-16 Cockspur Street
London SW1Y 5BL

Receiving Agents

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

VCT Advisers

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Application Procedure

1. If you are:
 - (i) an existing shareholder in the Company and you wish to reinvest your ProVen VCT Mergermarket Dividend in subscribing for 'C' Shares under the Offers;AND/OR
 - (ii) an existing shareholder in PGI VCT and you wish to reinvest your PGI VCT Mergermarket Dividend in subscribing for 'C' Shares under the Offers,please refer to Part 2 below and complete Application Form 2.

2. If you are:
 - (i) reinvesting a Mergermarket Dividend by completing Application Form 2 and wish to subscribe for further 'C' Shares under the Offers in cash;OR
 - (ii) wish to subscribe for 'C' Shares under the Offers in cash,please refer to Part 1 below and complete Application Form 1.

Please send your completed Application Form(s) together with your cheque or bankers draft and proof of identity if required (please see paragraph 13 of Part IV on page 29 in this regard) to:

Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you have any questions on how to complete either of the Application Forms please contact Beringea on 0845 686 0225 or 0207 845 7820.

Part 1 — Subscribing for 'C' Shares under the Offers in cash (i.e. not reinvesting a Mergermarket Dividend)

Section 1

Please insert your full name, permanent address, daytime telephone number, date of birth and national insurance number in Section 1 of Application Form 1. Your national insurance number, which you will find on your pay slip, is required to ensure you obtain your income tax relief. Joint applications are not permitted, but husbands and wives may apply separately.

Section 2

Specify the amount to be invested in 'C' Shares under the 2006/2007 Offer in Box A (state nil if appropriate).

Specify the amount to be invested in 'C' Shares under the 2007/2008 Offer in Box B (state nil if appropriate).

Specify the total amount to be invested in 'C' Shares under the Offers (ie the sum of Boxes A and B) in Box C.

Please note that the minimum investment is £5,000, which may be split between the tax years.

Make cheques payable to "Capita IRG: ProVen VCT plc" and crossed "A/C Payee only". Cheques must be from a recognised UK bank account and your payment must relate solely to this application. No receipt will be issued.

If you are applying for 'C' Shares under both the 2006/2007 Offer and the 2007/2008 Offer, you must submit a separate cheque or banker's draft for each tax year. Cheques maybe post dated to 6 April 2007 for applications under the 2007/2008 Offer.

If the value of the 'C' Shares applied for exceeds Euros 15,000 (approximately £10,000 as at the date of this document) payment should be made by means of a UK clearing bank cheque drawn in your name on an account in your name. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or banker's draft, you should write your name, address and date of birth on the back of the cheque or banker's draft and:

- (i) if a building society cheque or banker's draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
 - (ii) if a cheque is drawn by a third party, you must ensure that both of the following documents are enclosed with the Application Form: a certified copy of your passport (or your driving licence bearing a photograph and signature of the individual) and a recent (dated within three months preceding the date of application) original bank or building society statement (or utility bill) in your name. A copy passport or driving licence should be certified by a solicitor or bank. Original documents will be returned to you by post at your risk.
-

Section 3

Read the declaration below and sign and date Application Form 1.

If this form is completed and signed by the Investor named in Section 1:

By signing this form I HEREBY DECLARE THAT:

- (i) I have received the Prospectus dated 14 November 2006 and have read the terms and conditions of application therein and agree to be bound by them;
- (ii) I will be the beneficial owner of the 'C' Shares in ProVen VCT plc issued to me under these Offers; and
- (iii) to the best of my knowledge and belief, the personal details I have given to ProVen VCT plc are correct.

If this form is completed and signed by an authorised financial intermediary or any other person apart from the Investor:

By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs (i) to (iii) above and attach the power of attorney under which I have authority to sign on behalf of the individual.

Section 4

Authorised financial intermediaries who are entitled to receive commission should stamp and complete Section 4, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. An authorised signatory must sign on behalf of the authorised financial intermediary. The right is reserved to withhold payment of commission if ProVen VCT plc is not, in its sole discretion, satisfied that the authorised financial intermediary is authorised.

Please tick the appropriate box to indicate which commission structure you would prefer. If you wish to waive some or all of your commission, please insert ALL or a percentage of the 'C' Shares in respect of which you wish commission to be waived and reinvested in additional new shares.

Section 5

Please complete the mandate instruction if you wish to have dividends paid directly into your bank or building society account.

Part 2 — Subscribing for 'C' Shares under the Offers by reinvesting a Mergermarket Dividend

Section 1

Please insert your full name, permanent address, daytime telephone number, date of birth and national insurance number in Section 1 of Application Form 2. Your national insurance number, which you will find on your pay slip, is required to ensure you obtain your income tax relief. Joint applications are not permitted, but husbands and wives may apply separately.

Section 2

If you wish to reinvest your ProVen VCT Mergermarket Dividend and/or PGI VCT Mergermarket Dividend in 'C' Shares under the Offers, please tick the box for the relevant income tax year (ie whether you are reinvesting your Mergermarket Dividend under the 2006/2007 Offer or the 2007/2008 Offer).

There is no minimum investment.

Shareholders who reinvest a Mergermarket Dividend by subscribing for 'C' Shares under the Offers will not therefore receive such dividend(s) in cash.

The maximum investment on which tax reliefs on investments in VCTs are available is £200,000 per individual in each of the income tax years 2006/2007 and 2007/2008.

Section 3

Read the declaration below and sign and date Application Form 2.

If this form is completed and signed by the Investor named in Section 1:

By signing this form I HEREBY DECLARE THAT:

- (i) I have received the Prospectus dated 14 November 2006 and have read the terms and conditions of application therein and agree to be bound by them;
- (ii) I wish the ProVen VCT Mergermarket Dividend and/or PGI VCT Mergermarket Dividend to be invested in subscribing for 'C' Shares under the Offers;
- (iii) if I have applied to reinvest a ProVen VCT Mergermarket Dividend I am an existing shareholder in ProVen VCT and am entitled to such dividend and if I have applied to reinvest a PGI VCT Mergermarket Dividend I am an existing shareholder in PGI VCT and am entitled to such dividend;
- (iv) I will be the beneficial owner of the 'C' Shares in ProVen VCT plc issued to me under these Offers; and
- (v) to the best of my knowledge and belief, the personal details I have given to ProVen VCT plc are correct.

If this form is completed and signed by any person apart from the Investor:

By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs (i) to (iii) above and attach the power of attorney under which I have authority to sign on behalf of the individual.

Section 4

Please complete the mandate instruction if you wish to have dividends paid directly into your bank or building society account.

THIS PAGE INTENTIONALLY BLANK

ProVen VCT plc 'C' share offers — Application Form 1

(For use by Investors who are *NOT* reinvesting a Mergermarket Dividend)

Before completing this Application Form 1 you should read the Terms and Conditions of Application and Part 1 of the Application Procedure. The Offers opens on 14 November 2006 and the closing date in respect of the 2006/2007 Offer will be 5.00 p.m. on 5 April 2006 and in respect of the 2007/2008 Offer will be on 31 May 2007 (or earlier if the maximum subscription has been reached before then). This Application Form 1 must therefore be received by Capita Registrars accordingly.

PLEASE COMPLETE IN BLOCK CAPITALS

Section 1

Title (Mr/Mrs/Miss/Ms/Other)		Surname	
Forename(s) in full			
Date of Birth		National Insurance Number	

(You should be able to find your NI number on a payslip, form P45 or P60, a letter from the Inland Revenue, a letter from the DSS, or pension order book)

Permanent residential address		
	Postcode	
E-mail		

Please insert your e-mail address if you wish to receive updates regarding the progress of the Company by e-mail.

Telephone (work)		Telephone (home)	
------------------	--	------------------	--

Section 2

I offer to subscribe the following amount for 'C' Shares on the Terms and Conditions of Application set out in the Prospectus dated 14 November 2006 and the Memorandum and Articles of Association of the Company.

Applications must be for a minimum of £5,000 in total.

2006/2007 Offer (income tax year 2006/2007)	£	A
2007/2008 Offer (income tax year 2007/2008)	£	B
TOTAL	£	C

I ENCLOSE A CHEQUE(S) OR BANKERS' DRAFT(S) DRAWN ON A UK CLEARING BANK, MADE PAYABLE TO "Capita IRG: ProVen VCT plc".

(Note: If you are applying for 'C' Shares in both the 2006/2007 tax year and the 2007/08 tax year, you must submit a separate cheque or banker's draft for each of the tax years).

Section 3

Signature		Date	
-----------	--	------	--

Section 4

For completion by authorised financial intermediaries only		
Name of firm:		Stamp
Address:		
Telephone:		
Fax:		
E-mail Address:		
Name of contact:		
Preferred commission structure please indicate which commission structure you would prefer and how you would like the commission to be allocated.		
Preferred commission structure — (please state commission amount) A + B should equal either 3 per cent or 2.25 per cent	3 per cent	2.25 per cent plus trail
A: Commission to be paid to authorised financial intermediary		
B: Commission to be waived and invested in additional shares for your client		
Signature of authorised signatory of authorised financial intermediary		Date

Section 5

All dividends on 'C' Shares held in ProVen VCT plc may be paid directly into bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below.

Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid.

Please forward until further notice, all dividends that may from time to time become due on any 'C' Shares now standing, or which may hereafter stand, in my name in the register of members of ProVen VCT plc to:

Bank or Building Society reference number and details:

- (1) Sort Code Number
- (2) Name of Bank/Building Society
- Title of Branch
- Address of Branch
- (3) Account Number
- (4) Signature
- Date

ProVen VCT plc cannot accept responsibility if any details quoted by you are incorrect.

ProVen VCT plc 'C' share offers — Application Form 2

(For use only by Investors who are existing shareholders of ProVen VCT and/or PGI VCT and who are reinvesting their Mergermarket Dividend)

Before completing this Application Form 2 you should read the Terms and Conditions of Application and Part 2 of the Application Procedure. The Offers opens on 14 November 2006 and the closing date for reinvestment of a Mergermarket Dividend (and receipt of the applicable discount) is 5.00 p.m. on 28 November 2006, although the directors reserve the right to extend this date at their absolute discretion. This Application Form 2 must therefore be received by Capita Registrars accordingly.

PLEASE COMPLETE IN BLOCK CAPITALS

Section 1

Title (Mr/Mrs/Miss/Ms/Other)		Surname										
Forename(s) in full												
Date of Birth		National Insurance Number										

(You should be able to find your NI number on a payslip, form P45 or P60, a letter from the Inland Revenue, a letter from the DSS, or pension order book)

Permanent residential address											
		Postcode									
E-mail											

Please insert your e-mail address if you wish to receive updates regarding the progress of the Company by e-mail.

Telephone (work)		Telephone (home)									
------------------	--	------------------	--	--	--	--	--	--	--	--	--

Section 2

I wish to reinvest the Mergermarket Dividend specified below in Subscribing for 'C' Shares on the Terms and Conditions of Application set out in the Prospectus dated 14 November 2006 and the Memorandum and Articles of Association of the Company.

There is no minimum amount of investment.

ProVen VCT Mergermarket Dividend Please reinvest my ProVen VCT Mergermarket Dividend in the following tax year (PLEASE TICK ONE BOX ONLY)		
2006/2007 Offer (income tax year 2006/2007)	Please tick	
2007/2008 Offer (income tax year 2007/2008)	Please tick	

PGI VCT Mergermarket Dividend Please reinvest my PGI VCT Mergermarket Dividend in the following tax year (PLEASE TICK ONE BOX ONLY)		
2006/2007 Offer (income tax year 2006/2007)	Please tick	
2007/2008 Offer (income tax year 2007/2008)	Please tick	

Section 3

Signature		Date									
-----------	--	------	--	--	--	--	--	--	--	--	--

Section 4

All dividends on 'C' Shares held in ProVen VCT plc may be paid directly into bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below.

Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid.

Please forward until further notice, all dividends that may from time to time become due on any 'C' Shares now standing, or which may hereafter stand, in my name in the register of members of ProVen VCT plc to:

Bank or Building Society reference number and details:

- (1) Sort Code Number
- (2) Name of Bank/Building Society
- Title of Branch.....
- Address of Branch
- (3) Account Number.....
- (4) Signature.....
- Date

ProVen VCT plc cannot accept responsibility if any details quoted by you are incorrect.

