

PROVEN LEGACY PLC

ANNUAL REPORT AND ACCOUNTS

For the year ended 30 June 2018

PROVEN LEGACY PLC

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CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

Introduction

I have pleasure in presenting the Annual Report and Accounts for ProVen Legacy plc (the "Company") for the year ended 30 June 2018.

Fundraising activities

The Company launched an offer for subscription on 7 August 2017 (the "2017 Offer"). The 2017 Offer closed after the year-end, on 6 August 2018, having raised gross proceeds of £933,000, £823,000 of which was allotted during the year.

Results

The net profit for the year ended 30 June 2018 was £93,806 (2017: Net loss of £91,392), which included one-off set up costs reimbursed by Beringea of £50,000. This amount will become re-payable to Beringea LLP if and when the Company's revenue reserves reach £100,000.

Lending activity

At 30 June 2018, the Company had advanced six loans, with four borrowers, totalling £2,000,000 and received capital repayments of £564,582.

The first loan facility of £250,000 was signed in March 2017 with Celoxica Limited and is repayable over two years.

The second loan facility of £500,000 was signed in April 2017 with Cogora Group Limited and was available to drawdown in two tranches. The first tranche of £250,000 was drawn down in April 2017, the second tranche was drawn down in May 2017. Each tranche is repayable over three years. In February 2018, Cogora drew down two further tranches for £125,000 each, one of which was repaid in full in May 2018.

In October 2017, a £500,000 loan facility was agreed with Think Limited and was available for drawdown in two tranches. One tranche of £250,000 was drawn in October 2017 and the other £250,000 was drawn in January 2018.

In March 2018, a facility of up to £2,000,000 was agreed with Edesix Limited. At 30 June 2018, £500,000 had been drawn down and the remaining amount is available to draw down subject to certain conditions being met.

Annual General Meeting

The Company's AGM will be held at 39 Earlam Street, London, WC2H 9LT on Tuesday 18 September at 2.30 p.m.

Post balance sheet events

In June 2018, the Company committed to lend Cogora Group Limited a further £125,000 and an amount of £125,000 was advanced on 12 July 2018.

On 3 August 2018, the Company issued 105,600 Redeemable Growth Shares at an average price of 104.2p per share, with an aggregate nominal value of £1,056. The aggregate consideration for the shares was £110,000, which excluded share issue costs of £4,400.

Other than the matters described above, there were no material events during the period from 1 July 2018 to the date of these financial statements.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

Outlook

The Lending Adviser is currently in discussions with a number of other borrowers and these discussions are at various stages of engagement. Your Board is therefore confident there is a strong pipeline of lending opportunities available to deploy the capital and interest repayments received on the current portfolio, as well as funds raised under any future Offers for Subscription launched by the Company.

Jamie Perkins
Chairman
20 August 2018

BOARD OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2018

Jamie Perkins (Chairman)

Jamie is a partner at Westminster Wealth Management LLP (“Westminster Wealth”), an FCA regulated independent financial planning firm looking after private clients. Jamie heads up the tax efficient investment division, which provides the research, due diligence, investment oversight and advice in this area for private clients. Having filled this role for 20 years, Jamie has reviewed and monitored a significant number of tax advantaged funds and strategies. He also sits on the Westminster Wealth investment committee helping to direct the investment strategy of the group and helps to select discretionary investment solutions for private clients.

Robin Chamberlayne

Robin is the founding partner of Progressive Strategic Solutions LLP (one of the first Chartered firms of Financial Planners in the UK) and co-founder of Armstrong Energy a successful company managing property and energy infrastructure assets in the UK and India. Armstrong Energy manages assets for major institutions and private clients. Robin also sits on the board of a number of EIS backed companies.

Malcolm Moss

Malcolm is a founding partner of Beringea LLP. Over the last 30 years he has been responsible for the growth, development and management of the private equity business of Beringea in both the UK and the USA. In addition to sitting on the boards of ProVen VCT plc and ProVen Growth and Income VCT plc, he sits on the investment committees of Beringea Group’s US venture capital funds.

All the Directors are executive and, with the exception of Malcolm Moss, are independent of the Lending Adviser.

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Directors present the Strategic Report for the year ended to 30 June 2018. The Board prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal activities and status

The Company was incorporated and registered in England and Wales on 24 February 2016. The principal strategy of the Company is to identify opportunities to make loans to a variety of small and medium sized UK private companies with the principal aim of generating stable returns for shareholders, whilst at the same time seeking to provide diversification and risk protection. The common feature of such loans will be that each loan will be backed by assets used in the business, or the business will have predictable revenue streams.

Business model

The Company intends to lend to businesses which have some or all of the following key characteristics:

- **A proven demand for the company's product or service.** Companies will normally have a turnover of between £1 million and £50 million per annum at the point that the Company provides financing, evidencing demand for their products or services.
- **Core assets**, fixed and current, over which the Company will normally take security, such as:
 - Asset backed lending – namely specific finance for, by way of example, plant and machinery, technology, media and telecoms equipment;
 - Renewables assets;
 - Infrastructure assets;
 - Property assets;
 - Stock; and
 - Debtors.

The above is not an exhaustive list and assets will be assessed on a case-by-case basis. In the absence of core assets, the companies may have **predictable revenue streams**.

- **A strong management team** with a proven track record of achievement.

The loans made by the Company will generally have repayment profiles which will be repaid on a monthly or quarterly basis over a three or four year period on an amortising basis, with capital and interest repayments being made on a regular basis.

Principal risks and uncertainties

The principal risks faced by the Company relating to its trading activities and how they are managed are as follows:

Risk of loan non-performance

The value of loans advanced by the Company may vary because of a number of factors, including, but not limited to, the financial condition of the underlying borrowers, the industry in which a borrower operates, general economic or political conditions, interest rates, the condition of the debt trading markets and certain other financial markets, developments or trends in any particular industry and changes in prevailing interest rates.

As a lender, the Company will not control or influence the boards of directors of companies to whom it lends and may not be in a position to protect its interests fully. Although the Company aims to make asset secured loans to small and medium sized unquoted companies with strong prospects, some companies

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

may have limited cashflow resources to make repayment of the loans. Although the Company intends to take security in the assets which have a resale value, there is no guarantee that the assets will have any value should they need to be sold to repay the debt finance, as they may not be readily marketable.

The level of defaults on loans and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions. The liquidity in defaulted loans may also be limited, and to the extent that defaulted loans are sold, it is possible that the proceeds from such sale could be lower than the amount of unpaid principal and interest thereon, which would adversely affect the value of the loans and, consequently, the net asset value of the Company.

The Lending Adviser closely monitors the activities and performance of the companies to which loans are extended and reports to the Board on a quarterly basis.

Concentration risk of loan portfolio

A high proportion of the Company's net assets is currently represented by loans to four underlying borrowers. The performance of the Company is therefore heavily dependent on the performance of these four underlying borrowers, namely Celoxica Limited, Cogora Group Limited, Edesix Limited and Think Limited. As noted above, active monitoring of the borrowers is undertaken by the Lending Adviser and as further loans are advanced, it is expected that this concentration risk will be reduced.

Risks relating to taxation

The Directors intend to operate the Company with a view to ensuring that a subscription for shares in the Company will offer shareholders Business Property Relief from Inheritance Tax, but there can be no guarantee that the Company will fulfil or maintain the criteria to obtain such relief or that HMRC will not challenge whether shareholders are entitled to Business Property Relief, which may give rise to shareholders incurring costs in engaging professional advisers to defend their position.

The Company engages Philip Hare and Associates LLP to advise on inheritance tax developments, and specifically Business Property Relief, and will reflect these developments, where applicable, in the activities of the Company.

The Company's principal financial risks for the year ended 30 June 2018 are detailed in note 11 on pages 25 and 26.

Business review and future developments

The Company's business review and future developments are set out in the Chairman's Statement on pages 3 and 4.

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are Net Asset Value per Redeemable Growth Share, Net Asset Value per Redeemable Income Share and repayment of loans against contractual agreements.

The Net Asset Value per Growth Share at 30 June 2018 was 100.2p, representing an increase of 9.8p since the Net Asset Value per Growth Share at 30 June 2017.

The Net Asset Value per Income Share at 30 June 2018 was 100.2p, representing an increase of 9.8p since the Net Asset Value per Income Share at 30 June 2017.

As at 30 June 2018, all scheduled loan repayments had been received by the Company.

By order of the Board

Jamie Perkins
Chairman
20 August 2018

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Directors present the Annual Report and Accounts of the Company for the year ended 30 June 2018.

Results and dividends

The results for the year are set out on page 14.

No dividends were payable for the year.

Directors

The Directors, whose names and biographies are set out on page 5, all served throughout the year.

Malcolm Moss, a Director of the Company, is also a Partner of Beringea LLP. Beringea LLP was the Company's Lending Adviser and Administration Manager during the period.

Share capital

The issued share capital of the Company as at 30 June 2018 is set out in note 8 of these accounts on pages 22 to 24.

During the year, 681,980 Redeemable Growth Shares were issued at an average price of £1.00 per Redeemable Growth Share, with an aggregate consideration of £681,980 which excluded share issue costs of £31,020. 110,000 Redeemable Income Shares were issued at an average price of £1.00 per Redeemable Income Share, with an aggregate consideration of £110,000.

During the year, 10,000 Redeemable Income Shares were redeemed at an average price of £0.96 per share, with an aggregate consideration of £9,563.

Borrowings

It is not the Company's intention to have any borrowings. The Company, however, has the ability to borrow a maximum amount which is equal to 10% of NAV.

Auditor

A resolution to re-appoint BDO LLP as the Company's auditor will be proposed at the forthcoming AGM. BDO LLP has expressed its willingness to continue in office.

Annual General Meeting

The Company's AGM will be held at 39 Earlham Street, London, WC2H 9LT on Tuesday 18 September at 2.30 p.m.

Directors' indemnity

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website, www.provenlegacy.co.uk, in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Jamie Perkins
Chairman
20 August 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVEN LEGACY PLC

Opinion

We have audited the financial statements of ProVen Legacy plc ("the Company") for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
Date 20 August 2018*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

PROVEN LEGACY PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Year ended 30 June 2018 £	For the period 24 February 2016 to 30 June 2017 £
Loan interest income	2	99,547	7,712
Other income	2	20,000	-
Operating income		119,547	7,712
Administrative expenses	3	(24,873)	(99,138)
Operating profit/(loss)		94,674	(91,426)
Interest income		179	282
Bank charges		(481)	(248)
Profit/(loss) on ordinary activities before taxation		94,372	(91,392)
Taxation	4	(566)	-
Profit/ (loss) on ordinary activities after taxation		93,806	(91,392)

The Company has no recognised gains or losses other than the results as set out above and accordingly a separate statement of other comprehensive income has not been prepared.

The notes set out on pages 18 to 27 form part of these financial statements.

PROVEN LEGACY PLC
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		As at 30 June 2018	As at 30 June 2017
	Note	£	£
Fixed Assets			
Loans	11	1,435,418	696,462
Current assets			
Debtors	5	11,368	4,148
Cash at bank and in hand		358,938	189,485
Creditors – amounts falling due within one year	6	(71,641)	(32,235)
Net current assets		298,665	161,398
Total assets less current liabilities		1,734,083	857,860
Capital and reserves			
Called up share capital	8	17,315	9,495
Share premium		1,714,354	939,757
Revenue reserves		2,414	(91,392)
Total equity shareholders' funds		1,734,083	857,860
Net Asset Value per Redeemable Growth Share	9	100.2p	90.4p
Net Asset Value per Redeemable Income Share	9	100.2p	90.4p

The notes set out on pages 18 to 27 form part of these financial statements.

Jamie Perkins
Chairman
ProVen Legacy plc
Company number: 10024220
20 August 2018

PROVEN LEGACY PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

For the year ended 30 June 2018	Note	Called up share capital £	Share premium £	Revenue reserve £	Total £
At 1 July 2017		9,495	939,757	(91,392)	857,860
Issue of new shares in the period		7,920	815,080	-	823,000
Share issue costs	10	-	(31,020)	-	(31,020)
Redemption of shares		(100)	(9,463)	-	(9,563)
Total comprehensive income		-	-	93,806	93,806
At 30 June 2018		17,315	1,714,354	2,414	1,734,083
Period from 24 February 2016 to 30 June 2017		Called up share capital £	Share premium £	Revenue reserve £	Total £
At 24 February 2016		-	-	-	-
Issue of new shares in the period		59,495	940,507	-	1,000,002
Share issue costs		-	(750)	-	(750)
Redemption of shares		(50,000)	-	-	(50,000)
Total comprehensive loss		-	-	(91,392)	(91,392)
At 30 June 2017		9,495	939,757	(91,392)	857,860

The notes set out on pages 18 to 27 form part of these financial statements.

PROVEN LEGACY PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Year ended 30 June 2018	For the period 24 February 2016 to 30 June 2017
	£	£
Profit/ (loss) on ordinary activities after taxation	93,806	(91,392)
Loans advanced	(1,250,000)	(750,000)
Capital loan repayments received	511,044	53,538
Increase in debtors	(7,220)	(4,148)
Increase in creditors	39,406	32,235
Net cash used in operating activities	(612,964)	(759,767)
Cash flows from investing activities	-	-
Cash flows from financing activities		
Proceeds from share issue	823,000	1,000,002
Share issue costs	(31,020)	(750)
Shares redeemed	(9,563)	(50,000)
Net cash from financing	782,417	949,252
Increase in cash and cash equivalents	169,453	189,485
Cash at beginning of period	189,485	-
Net cash inflow for the period	169,453	189,485
Cash at end of period	358,938	189,485

Included in profit/ (loss) on ordinary activities after taxation was interest received of £179 (2017: £282).

The notes set out on pages 18 to 27 form part of these financial statements.

PROVEN LEGACY PLC

NOTES TO THE FINANCIAL STATEMENTS

1) Accounting policies

The Company has prepared its financial statements under Financial Reporting Standard 102 (“FRS102”).

The following accounting policies have been applied consistently throughout the year.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the financial statements.

Income

Income from loans is recognised on an effective interest basis, reflecting all fixed returns associated with the loan and amortised over the life of the loan.

Other income is recognised when the Company becomes contractually entitled to the income.

Expenses

All expenses (inclusive of VAT) are accounted for on an accruals basis.

Current and deferred taxation

Corporation tax is applied to profits chargeable to corporation tax, if any, at the applicable rate for the period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met. Deferred income tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences are expected to reverse, and determined using tax rates and laws that have been enacted or substantively enacted by the reporting date

Loans

Loans are recognised when the Company becomes a party to the contractual provisions of the loans. Loans are initially recognised at transaction price and subsequently recognised at amortised cost as assessed based on the loan’s effective interest rate, which includes all fixed returns associated with the loan, less any allowance for impairment. Loans are derecognised when the contractual rights to cash flows expire or have been settled.

Provisions and contingent liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

A contingent liability is recognised where the obligation is possible or where the outflow cannot be measured reliably.

PROVEN LEGACY PLC

NOTES TO THE FINANCIAL STATEMENTS

Cash at bank and in hand

Cash at bank and in hand comprises cash in hand or on-demand deposits.

Debtors and creditors

Debtors and creditors are recognised at cost with any allowance for impairment.

Capital and reserves

The Company's share capital comprises Ordinary Shares, Redeemable Growth Shares and Redeemable Income Shares.

These share classes are considered to constitute equity rather than liabilities because there is no contractual obligation to deliver cash through mandatory redemption of shares or mandatory dividend payments and because the shares have a residual interest in the assets of the Company after deducting all of its liabilities since these shares are entitled to a proportion of capital on wind up.

Capital and reserves for the Company represent the following:

Called up share capital – the nominal value of shares issued, increased for subsequent share issues or reduced due to shares redeemed by the Company.

Share premium – this reserve contains the excess of gross proceeds over the nominal value of shares allotted, less any share issue costs.

Revenue reserve - the cumulative net return or loss of the Company.

2) Revenue

	Year ended 30 June 2018	For the period 24 February 2016 to 30 June 2017
	£	£
Loan interest income	99,547	7,712
Other income	20,000	-

Other income comprises £12,500 (2017: £nil) of income recognised in relation to loans that did not proceed to completion, £5,000 (2017: £nil) of arrangement fees on loans arranged by the Company and £2,500 (£nil) of covenant amendment fees.

PROVEN LEGACY PLC
NOTES TO THE FINANCIAL STATEMENTS

3) Administrative expenses

Included within administrative expenses are the following:

	Note	Year ended 30 June 2018 £	For the period 24 February 2016 to 30 June 2017 £
(Set up costs reimbursed)/ set up costs	10	(50,000)	50,000
Directors' remuneration		20,000	21,616
Social security costs on Directors' remuneration		507	183
Auditor's remuneration for statutory audit ¹		7,500	7,500
Auditor's remuneration – tax compliance		3,075	3,075

¹ In addition to the auditor's remuneration payable by the Company set out in the table above, Beringea LLP has agreed to pay audit costs of £2,500 on behalf of the Company.

Directors' remuneration

Since 3 June 2016, Jamie Perkins and Robin Chamberlayne were entitled to receive a fee of £10,000 per annum. Malcolm Moss is not entitled to a fee. Once net proceeds of £5,000,000 have been raised by the Company, the fees of Jamie Perkins will increase to £20,000 per annum and the fees of Robin Chamberlayne will increase to £15,000 per annum, as from the commencement of the following financial year.

The Directors shall also be paid by the Company all reasonable travelling, hotel and other expenses they may incur in attending meetings or otherwise in connection with the discharge of their duties.

The Company does not have any pension arrangements or share options in place.

4) Tax on ordinary activities

	Year ended 30 June 2018 £	For the period 24 February 2016 to 30 June 2017 £
Profit/ (loss) on ordinary activities before taxation	94,372	(91,392)
Tax charge at the applicable rate of 19.00% (2017: 19.82%)	17,931	(18,110)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(7,223)	8,467
Deferred tax asset not recognised	(10,142)	9,643
Corporation tax charge	566	-

PROVEN LEGACY PLC
NOTES TO THE FINANCIAL STATEMENTS

5) Debtors

	As at 30 June 2018 £	As at 30 June 2017 £
Accrued interest	7,220	-
Prepayments	4,148	4,148
Total	11,368	4,148

6) Creditors

	As at 30 June 2018 £	As at 30 June 2017 £
Loan receipts received in advance	34,875	12,500
Accruals	31,699	17,860
Commitment deposit	2,500	-
Social security and taxes payable	2,001	1,625
Taxation payable	566	
Promoters fees payable	-	250
Total	71,641	32,235

7) Contingencies, Guarantees and Financial Commitments

In the prior period, £50,000 of set up costs were paid by the Company to Beringea LLP under the terms of the Offer for Subscription dated 3 June 2016. During the current year, this amount was reimbursed to the Company by Beringea LLP. The £50,000 will become re-payable to Beringea LLP if and when the Company's revenue reserves reach £100,000. At 30 June 2018, no provision has been made for the repayment of these set up costs to Beringea LLP.

In March 2018, a facility of up to £2,000,000 was agreed with Edesix Limited. At 30 June 2018, £500,000 had been drawn down and the remaining amount is available to draw down subject to certain conditions being met.

In June 2018, the Company committed to lend Cogora Group Limited a further £125,000 and an amount of £125,000 was advanced on 12 July 2018.

At 30 June 2018, the Company had no other contingent liabilities, guarantees and financial commitments.

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NOTES TO THE FINANCIAL STATEMENTS

8) Share capital

Issued, allotted, called up and fully paid:	30 June 2018		30 June 2017	
	Number	Amount £	Number	Amount £
Ordinary Shares of £1 each	2	2	2	2
Redeemable Growth Shares of £0.01 each	1,451,230	14,513	769,250	7,693
Redeemable Income Shares of £0.01 each	280,000	2,800	180,000	1,800
Total		17,315		9,495
<u>Share movement in the period</u>				

During the period, movements in the Company's share capital were as follows:

	Redeemable Growth Shares		Redeemable Income Shares		Ordinary Shares	
	Number	Amount £	Number	Amount £	Number	Amount £
As at 1 July 2017	769,250	7,693	180,000	1,800	2	2
Issued in the period	681,980	6,820	110,000	1,100	-	-
Redeemed in the period	-	-	(10,000)	(100)	-	-
As at 30 June 2018	1,451,230	14,513	280,000	2,800	2	2

During the year, 681,980 Redeemable Growth Shares were issued at an average price of £1.00 per Redeemable Growth Share, with an aggregate consideration of £681,980 which excluded share issue costs of £31,020. 110,000 Redeemable Income Shares were issued at an average price of £1.00 per Redeemable Income Share, with an aggregate consideration of £110,000.

Under the terms of the Offer for Subscription dated 3 June 2016 ("2016 Offer") and the Offer for Subscription dated 7 August 2017 ("2017 Offer"), Shareholders have the ability to redeem shares in accordance with the terms and conditions set out in the 2016 Offer and 2017 Offer. During the year, 10,000 Redeemable Income Shares were redeemed at an average price of £0.96 per Redeemable Income Share. This represented 5.6% of the Redeemable Income Shares at the start of the year.

Share Rights

Ordinary Shares

The holders of Ordinary Shares shall be entitled to receive such dividends as may be declared by the Company in general meeting.

Each holder of Ordinary Shares present in person or by proxy shall on a poll have one vote for every Ordinary Share of which he is the holder.

On a winding up the holders of the Ordinary Shares shall be entitled to be paid out of the assets of the Company available for distribution the nominal amount paid up on such shares pari passu with, and in proportion to, amounts of capital paid to the holders of other classes of shares, but do not carry any further right to participate in the surplus assets of the Company.

PROVEN LEGACY PLC NOTES TO THE FINANCIAL STATEMENTS

Redeemable Growth Shares

The Redeemable Growth Shares carry no right to receive any dividend out of the revenue profits of the Company.

In respect of any period, the aggregate of the revenue profits of the Company (after taking account of a reasonable allocation of costs attributable to the Redeemable Income Shares which will be allocated directly to such classes of share) multiplied by the most recently calculated Redeemable Growth Share Capital Ratio shall belong to the holders of the Redeemable Growth Shares (as between them pro rata to their respective holding of Redeemable Growth Shares) and shall be aggregated with the Net Asset Value of the Redeemable Growth Shares for the purposes of calculating the Redeemable Growth Share Capital Ratio.

On a winding up or on a return of capital (otherwise than on a redemption pursuant to Article 10.2.4), the holders of the Redeemable Growth Shares shall be entitled to be paid such proportion of the surplus capital and assets of the Company available for distribution as is equivalent to the most recently calculated Redeemable Growth Share Capital Ratio, pro rata to their respective holdings of Redeemable Growth Shares.

Subject as otherwise provided by the Articles of Association, each holder of Redeemable Growth Shares present in person or by proxy shall on a poll have one vote for each Redeemable Growth Share held by him.

Redeemable Growth Shares are capable of being redeemed by the Company on any Redemption Date (being 30 June or 31 December in each financial year), subject always to (a) receipt by the Company of a valid Election to Redeem by no later than the end of the calendar month prior to the relevant Redemption Date, (b) the provisions of the Companies Acts, (c) such redemption being approved by the Board, in its absolute discretion and (d) the Company having sufficient cash. Following redemption of Redeemable Growth Shares, the holders of such redeemed Redeemable Growth Shares shall, subject to the provisions of the Companies Acts, be paid in such number of instalments as the Board shall determine (in its absolute discretion) a sum equal to the Redeemable Growth Share Redemption Value multiplied by the number of Redeemable Growth Shares the subject of the Election to Redeem, less a discount of 1%.

Following the service of a valid Election to Redeem in respect of which the Board shall have approved the redemption, the Redeemable Growth Shares that are the subject of the Election to Redeem shall, with effect from the applicable Redemption Date cease to entitle the holders thereof to receive notice of, and to attend and vote at, any general meeting of the Company or any class meeting.

Redeemable Income Shares

In respect of any period, the aggregate of the revenue profits of the Company (after taking account of a reasonable allocation of costs attributable to the Redeemable Growth Shares which will be allocated directly to such classes of share) multiplied by the most recently calculated Redeemable Income Share Capital Ratio (exclusive of any imputed tax credit available to shareholders) shall belong to the holders of the Redeemable Income Shares (as between them pro rata to their respective holding of Redeemable Income Shares). Any such share of the revenue profits which are not distributed to the holders of the Redeemable Income Shares in any relevant period shall be aggregated to the net asset value of the Redeemable Income Shares for the purposes of calculating the future Redeemable Income Share Capital Ratio.

On a winding up or on a return of capital (otherwise than on a redemption pursuant to Article 10.1.4), the holders of the Redeemable Income Shares shall be entitled to be paid such proportion of the surplus capital and assets of the Company available for distribution as is equivalent to the most recently

PROVEN LEGACY PLC
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calculated Redeemable Income Share Capital Ratio, pro rata to their respective holdings of Redeemable Income Shares.

Subject as otherwise provided by the Articles of Association, each holder of Redeemable Income Shares present in person or by proxy shall on a poll have one vote for each Redeemable Income Share held by him.

Redeemable Income Shares are capable of being redeemed by the Company on any Redemption Date, subject always to (a) receipt by the Company of a valid Election to Redeem by no later than the end of the calendar month prior to the relevant Redemption Date, (b) the provisions of the Companies Acts, (c) such redemption being approved by the Board, in its absolute discretion and (d) the Company having sufficient cash. Following redemption of Redeemable Income Shares, the holders of such redeemed Redeemable Income Shares shall, subject to the provisions of the Companies Acts, be paid in such number of instalments as the Board shall determine (in its absolute discretion) a sum equal to the Redeemable Income Share Redemption Value multiplied by the number of Redeemable Income Shares the subject of the Election to Redeem, less a discount of 1%.

Following the service of a valid Election to Redeem in respect of which the Board shall have approved the redemption, the Redeemable Income Shares that are the subject of the Election to Redeem shall, with effect from the applicable Redemption Date cease to be entitled to any dividend paid or declared in respect of Redeemable Income Shares and shall also cease to entitle the holders thereof to receive notice of, and to attend and vote at, any general meeting of the Company or any class meeting.

9) Net asset value per share

At 30 June 2017

	Total	Redeemable Growth Shares	Redeemable Income Shares	Ordinary Shares
Shares in issue at 30 June 2017	<u>949,252</u>	<u>769,250</u>	<u>180,000</u>	<u>2</u>
Net assets	857,860	695,188	162,670	2
Net asset value per share		90.4p	90.4p	100.0p

At 30 June 2018

	Total	Redeemable Growth Shares	Redeemable Income Shares	Ordinary Shares
Shares in issue at 30 June 2018	<u>1,731,232</u>	<u>1,451,230</u>	<u>280,000</u>	<u>2</u>
Net assets	1,734,083	1,453,620	280,461	2
Net asset value per share		100.2p	100.2p	100.0p

PROVEN LEGACY PLC NOTES TO THE FINANCIAL STATEMENTS

10) Controlling Party and related party transactions

In the opinion of the Directors, there is no immediate or ultimate controlling party. There are no key management personnel other than the Directors.

Malcolm Moss, a Director of the Company, is also a Partner of Beringea LLP. Beringea LLP was the Company's Lending Adviser and Administration Manager during the period.

During the year from 1 July 2017 to 30 June 2018, fees payable to Beringea LLP in its capacity as Administration Manager amounted to £25,667. A total of £6,000 remained outstanding at 30 June 2018 in respect of administration fees.

No fees were paid to Beringea LLP in its capacity as Lending Adviser.

In the prior period, £50,000 of set up costs were paid by the Company to Beringea LLP under the terms of the Offer for Subscription dated 3 June 2016. During the current year, this amount was reimbursed to the Company by Beringea LLP. The £50,000 will become re-payable to Beringea LLP if and when the Company's revenue reserves reach £100,000.

Beringea LLP also acted as promoter for the offer for subscription dated 7 August 2017. The promoter's fees in the period amounted to £31,020, out of which Beringea LLP paid certain costs of the offer as well as initial commissions.

Beringea also received arrangement fees in respect of loans extended by the Company totalling £32,500 (2017: £7,500) and monitoring fees of £7,500 (2017: £nil). These fees are payable by the borrowers and are not a direct liability of the Company.

11) Principal risks and financial instruments

The Company operates as a lending company and has a portfolio of loans that are treated as financial instruments, measured at amortised cost as per the accounting policies in Note 1.

The Company's operations expose the Company to a number of risks associated with financial instruments. The principal financial risks arising from the Company's operations are:

- Interest rate risk (as part of market risk)
- Credit risk; and
- Liquidity risk.

Interest rate risk

Interest rate risk is the risk that a change in interest rates will affect the financial performance or financial position of the Company. Interest rate risk is expected to be minimal as the loans attract interest at a fixed rate.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk predominately through its loans and cash deposits. The Lending Adviser manages credit risk on loans through regular contact with the borrowers and through review of management accounts and other financial information. Credit

PROVEN LEGACY PLC NOTES TO THE FINANCIAL STATEMENTS

risk is also mitigated by taking security over the borrower's assets. The level of security is a key means of managing credit risk on loans.

Cash is held by the Royal Bank of Scotland plc, rated A- by both Standard and Poor's and Fitch, and ultimately part-owned by the UK Government. Consequently, the Directors consider that the risk profile associated with cash is low.

There have been no impairment charges recognised during the period that are directly attributable to changes in credit risk.

The Company's exposure to credit risk is summarised as follows:

	£
Cash and cash equivalents	358,938
Loans	1,435,418
	1,794,356

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities.

The Company always aims to hold sufficient level of cash in order to meet expenses and other cash outflows as required. The Company will generally seek to structure loans with monthly or quarterly repayments, where appropriate. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's matched bargain service will seek to satisfy any redemption requests received from the Company's shareholders, which mitigates the liquidity risk surrounding redemptions.

As at 30 June 2018, no creditors are past due.

The below sets out a summary of the Company's assets and liabilities by expected maturity:

	Loans	Cash	Creditors
	£	£	£
Receivable after more than 1 year	916,567	-	-
Receivable/(due) within 1 year	518,851	358,938	(71,641)
Total	1,435,418	358,938	(71,641)

12) Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

13) Post balance sheet events

In June 2018, the Company committed to lend Cogora Group Limited a further £125,000 and an amount of £125,000 was advanced on 12 July 2018.

PROVEN LEGACY PLC NOTES TO THE FINANCIAL STATEMENTS

On 3 August 2018, the Company issued 105,600 Redeemable Growth Shares at an average price of 104.2p per share, with an aggregate nominal value of £1,056. The aggregate consideration for the shares was £110,000, which excluded share issue costs of £4,400.

PROVEN LEGACY PLC COMPANY INFORMATION

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10024220

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