



grovest

A Section 12J Venture Capital Company

PRIVATE PLACEMENT MEMORANDUM 2013



Grovest Venture Capital Company Limited

(formerly Tariovert (Proprietary) Limited)

(Incorporated in the Republic of South Africa) (Registration number 2011/118279/06) ("Grovest" or "the company")



Private Placement Memorandum

The definitions and interpretations on pages 5 and 6 of this Private Placement Memorandum apply *mutatis mutandis* throughout this document.

Investments in Grovest will qualify as a deduction from taxable income under Section 12(J) of the South African Income Tax Act No. 58 of 1962, as amended, in the hands of any taxpayer who is not a connected person in relation to Grovest.

This document has been prepared and issued to provide qualifying investors with information relating to an offer to subscribe for 100 000 Grovest Ordinary shares at an issue price of R1 000 per Grovest Ordinary share in terms of a Private Placement.

Opening date of the Private Placement at 08h00 on	15 June 2013
Interim closings subject to subscription price adjustment formula at 17h00 on	Last business day of each month from August 2013 to January 2014
Final closing date of the Private Placement at 17h00 on	28 February 2014
Applicants to be notified of success/failure of application	7 days from closing date
Posting of share certificates and refund of surplus	6 weeks after allocation

The basis of allotment will remain within the discretion of the directors of Grovest.

Subscriptions can only be made at an acquisition cost, for a single addressee acting as applicant, of no less than R100 000 to a maximum of R20 000 000, assuming the Private Placement is fully subscribed.

This Private Placement Memorandum is an invitation to subscribe for shares in Grovest and is issued for the purpose of providing information to investors with regard to Grovest. Share pricing will adjust in terms of the subscription price adjustment formula at each month end after 31 August 2013.

The directors of Grovest, whose names are given in this Private Placement Memorandum, collectively and individually, accept full responsibility for the accuracy of the information given in this Private Placement Memorandum and certify that to the best of their knowledge and belief there are no facts that have been omitted which would render any statement in this Private Placement Memorandum false or misleading, and that all reasonable enquiries to ascertain such facts have been made.

On the opening date of the Private Placement, the authorised share capital of Grovest will comprise 200 000 Ordinary shares of no par value and 50 000 'A' Ordinary shares of no par value. After the Private Placement, the issued share capital of Grovest will comprise 100 000 Ordinary shares of no par value totalling R100 000 000 and 25 000 'A' Ordinary shares of no par value totalling R25 000 (assuming fully subscribed).







The minimum amount, which in the opinion of the directors, must be raised by Grovest through the Private Placement is R20 000 000. The directors reserve the right to waive the minimum amount.

All monies raised in terms of the Private Placement will be retained by the Promoter until such time as the minimum amount has been raised, or waived.

The Ordinary shares issued in terms of the Private Placement will rank *pari passu* with all other Ordinary shares. The Ordinary shares and 'A' Ordinary shares issued will be issued in certificated form.

This Private Placement Memorandum has not been registered with the Companies and Intellectual Property Commission (CIPC), nor is there a requirement to do so.

Persons with questions relating to this Private Placement Memorandum are invited to contact Jeff Miller on (011) 262 6858 or jeffm@grovest.co.za.

<p>Manager & Promoter</p> 	<p>Legal Adviser</p> 	<p>Transaction Adviser</p> 
<p>Tax Adviser</p> 	<p>Auditors</p> 	<p>Communication Adviser</p> 

Date of issue: 15 June 2013

Copies of this Private Placement Memorandum are available in English only and may be obtained from the offices of VCMS or the Company Secretary, the addresses of which are set out on page 3 of this Private Placement Memorandum or may be downloaded from the company's website at www.grovest.co.za.

Disclaimer

The contents of this Private Placement Memorandum do not constitute and should not be construed as investment, tax, legal, accounting or other advice. For advice on these matters you should consult your own investment, tax, legal, accounting or other advisers about any material or information discussed in this Private Placement Memorandum.

Warning

Venture Capital Investments are speculative by their very nature and prospective subscribers should refer to paragraph 16 of this Private Placement Memorandum concerning the potential risks.

Corporate information and advisers



Company Secretary

Light & Livingstone Financial Services CC

3rd Floor Palm Grove
Houghton Estate Office Park
2 Osborn Road
Houghton, 2198

P.O. Box 46079
Orange Grove, 2119

Legal Adviser

Fluxmans Inc.

11 Bierman Road
Rosebank, 2196

Private Bag x41
Saxonwold, 2132

Auditors and Reporting Accountants

PKF (Jhb) Inc.

42 Wierda Road West
Wierda Valley, 2196

Private Bag x10046
Sandton, 2146

Transaction Adviser

Clarity Corporate Finance Solutions (Pty) Limited

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Illovo, 2196

P.O. Box 1265
Parklands, 2121

Commercial Bank

Standard Bank of Southern Africa

9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001

P.O. Box 7725
Johannesburg, 2000

Tax Adviser

Werksmans Inc

155 5th Street
Sandown, Sandton
Johannesburg, South Africa

Private Bag 10015
Sandton, 2146
Johannesburg

Compliance Officer

Moonstone

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Communication Adviser

Turquoise PR

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Norwood
Johannesburg, 2192

Physical Office

Grovest

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Building 2
Pinmill Office Park
Strathavon, 2196

Tel no: 011 262 6433

Registered Office

Grovest

3rd Floor Palm Grove
Houghton Estate Office Park
2 Osborn Road
Houghton, 2198

P.O. Box 46079
Orange Grove, 2119

Date and place of incorporation:

20 September 2011 – South Africa



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Definitions and interpretations



In this Private Placement Memorandum, unless the context indicates otherwise, reference to the singular shall include the plural and vice versa, words denoting one gender include others, expressions denoting natural persons include juristic persons and associations of persons, and the words in the first column have the meanings stated opposite them in the second column as follows:

'A' Shares	Grovest 'A' Ordinary shares of no par value to be issued at R1 each
Act	Companies Act, 71 of 2008, as amended
Applicant	A person whose name appears in a Mandate and Application Form
Application Form(s)	The Mandate and Application form(s) for use in respect of the Offer set out at the end of this document
Company/Grovest	Grovest Venture Capital Company Ltd – Reg No 2011/118279/06 formerly Tariovert (Pty) Limited which changed its name on 10 July 2012
Connected Person	Connected Person as defined in Section 1 of the Income Tax Act 58 of 1962
Directors or Board	The directors of the Company from time to time
FAIS	Financial Advisory and Intermediary Services Act
FSB	The Financial Services Board acting in its capacity as the competent authority for the purposes of this document
Investment Portfolio	The portfolio of investments created by investing the proceeds raised from the issue of Venture Capital shares
Investor	An individual, trust, company, or other legal entity who subscribes for Venture Capital shares
ITA or Income Tax Act	Income Tax Act No. 58 of 1962, as amended
VCMS	Venture Capital Management Services (Pty) Ltd – Reg No 2012/223909/07
Manager	VCMS
MOI	The Memorandum Of Incorporation of the Company, as amended from time to time

Money Laundering Regulations	The Money Laundering Regulations 2007
Ordinary Shares	Grovest Ordinary shares of no par value to be issued in terms of the Private Placement Memorandum
Offer	The offer for subscription of Ordinary shares described in this Private Placement Memorandum
Offer Period	The period from 15 June 2013 to 28 February 2014
Offer Price	R1 000 per share subject to the subscription price adjustment formula after 31 August 2013
PPM	Private Placement Memorandum
Promoter	VCMS
Qualifying Company	A company satisfying the conditions of a qualifying company as defined in Sec 12(J) of the Income Tax Act
Qualifying Investment	An investment in the shares of an unlisted company which satisfies the conditions of a qualifying company as defined in Section 12(J) of the Income Tax Act
Qualifying Shares	An equity share issued to Grovest by a Qualifying Company
Risk Capital	60% of the amount invested in Ordinary shares
SARS	South African Revenue Services
Shareholder	Holder of Shares
Shares	Venture Capital Shares
SME	Small and medium sized enterprise
Subscription Price Adjustment Formula	The formula used to calculate the Offer Price, as set out in Paragraph 13
Venture Capital Company or VCC	A Venture Capital Company as defined in Section 12(J) of the Income Tax Act
Venture Capital Shares	Shares in Grovest as defined in Section 12(J) of the Income Tax Act being Ordinary shares and 'A' Ordinary shares

15 June 2013

Dear Prospective Investor,

Grovest Venture Capital Company Limited (“Grovest”)

We write in our capacity as the duly appointed fund Manager of Grovest and thank you for considering Grovest as an investment.

We believe that a VCC registered in terms of Section 12(J) of the Income Tax Act presents a unique opportunity for investors to obtain direct exposure to the rapidly growing VC sector, whilst simultaneously enabling investors to obtain a 100% deduction from their taxable income of the amount invested.

Grovest is seeking to raise R100 000 000 (before issue expenses) through an issue of new Ordinary shares in Grovest. The Offer may be increased to a maximum of R120 000 000 if considered appropriate by the Board of Directors of Grovest.

We believe that an investment in Venture Capital shares in Grovest is worthy of your careful consideration for the following reasons:

Growth and Development of the VC Sector in South Africa

The VC Sector in South Africa is experiencing tremendous growth and development with regional hubs developing particularly in Cape Town and Johannesburg. Exciting new technologies are being developed which offer the potential of significant investment returns if commercialised in the appropriate way.

Grovest Deal Flow

Grovest is experiencing significant deal flow with exciting investment opportunities being presented on an ongoing basis. Grovest has a strategic alliance with the Seed Engine accelerator which affords it priority access to early stage investments.

The Grovest Team

The Grovest team has over 80 years of combined experience in investing and managing listed and unlisted companies, having nurtured a variety of startups to their full potential.

Investment Strategy

Grovest will make equity investments in a portfolio of potentially high growth small and medium sized companies. It is anticipated that the R100 000 000 to be raised in terms of this PPM will be invested in approximately 15 to 20 investments.

Risk Mitigation

The Grovest model incorporates a number of features which will mitigate the risks associated with early stage investments.

These primarily include:

- the tax deductibility of the amount invested in the tax year of investment;
- the experience of the Manager in selecting, structuring and managing investments;
- the investment criteria which have been put in place.

Tax Deductibility of Investment in Grovest

Investors will be entitled to deduct the full amount of their investment in Grovest in terms of this PPM from their taxable income in the tax year ending 28 February 2014.

How to Invest

Please complete the Mandate and Application Form at the end of this document. If you have any questions regarding your application, please contact VCMS, c/o Jeff Miller, at jeffm@grovest.co.za.

Yours sincerely,



MALCOLM SEGAL



JEFFREY MILLER



JEFFREY LIVINGSTONE

Directors: M Segal (Chairman), JW Miller (CEO), J C Livingstone

Registration No 2012/223909/06



Salient features

The definitions and interpretations on pages 5 & 6 apply *mutatis mutandis* throughout this Private Placement Memorandum.

The information set out in this section of the Private Placement Memorandum is an overview only and is not intended to be comprehensive. It should be read in conjunction with the information contained in the other sections of the Private Placement Memorandum.

1. Purpose of the Private Placement

The purpose of the Private Placement is:

- To increase the capital of Grovest and thus enable it to invest in Qualifying Companies as defined in Section 12(J) of the Income Tax Act;
- To enhance investor and general public awareness of Grovest;
- To invite members of the public, financial institutions, pension funds, business associates and employees of VCMS to invest directly in Grovest;
- To establish a broad shareholder base for Grovest.

2. Nature of business

Grovest is a Venture Capital Company licensed as a Financial Services Provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) under licence number 44303.

It is also registered with SARS as a Venture Capital Company in terms of Section 12(J) of the Income Tax Act No. 58 of 1962 under reference number VCC-0003.

Grovest has obtained legal opinion that it does not fall within the ambit of the Collective Investment Schemes Control Act no. 45 of 2002.

Grovest will invest in Qualifying Companies with the following features:

- Exciting business models;
- Potential for rapid growth in revenues and profitability;
- Defensible market positions;
- Strong, balanced and well-motivated management teams who hold meaningful shareholdings in their companies;
- Attractive entry prices;
- Opportunities for VCMS to add value;
- The prospect of exiting with a meaningful investment surplus within a period of three to seven years.

3. Tax deductibility of investment in Grovest

Investors will be entitled to deduct the full amount of their investment in Grovest from their taxable income in the tax year ending 28 February 2014.

This tax relief mitigates the investment risk and significantly enhances the potential return.

Grovest intends to return realised investment surpluses as and when they arise to shareholders by way of dividends. Dividends paid will be subject to Dividend Withholding Tax where applicable.

A return of capital up to the amount of the initial investment will be subject to income tax as a recoupment and amounts in excess thereof will be subject to capital gains tax (CGT).

The tax impact is best demonstrated by way of example:

An individual paying tax at the maximum marginal rate who invests R100 000 in Grovest.

Example:

Initial investment	R100 000
Income tax relief	R40 000
Net after tax cost of investment	R60 000
Attributable share of Grovest's establishment costs	R3 000
Net investment amount	R97 000

An investment made by a Trust will have the same tax effect. A company will get tax relief of R28 000 resulting in an effective cost of investment of R72 000.

4. *Investment return*

Grovest aims to achieve an investment return of no less than three times the Risk Capital invested which equates to a targeted Internal Rate of Return of 28% per annum.

5. *Management and investment team*

Grovest is managed by VCMS.

VCMS is directed and managed by professionals with vast experience and successful track records in private equity and venture capital investment. The VCMS team has over 80 years of combined experience in managing investments, having nurtured numerous ventures from start-up to achieving their full potential.

Curricula vitae in respect of the management team and Investment Committee are set out in clause 29 of the Private Placement Memorandum.

6. *Deal flow and investment process*

The team is excited by the deal flow currently being presented to them and is optimistic that this deal flow will add value to the Grovest investment portfolio.

Investments will be made according to strict criteria and will be assessed by the Investment Committee.

7. *Remuneration of VCMS*

Annual Management Fee

VCMS will charge an annual management fee equal to 2,5% (excluding VAT) of the capital of Grovest, payable quarterly in advance commencing for the quarter ending 31 August 2013.

VCMS will be responsible for costs incurred in pursuing opportunities not implemented.

VCMS will be entitled to charge directors' and/or management fees to Qualifying Companies.

VCMS Participation in Realised Investment Surpluses

Realised surpluses arising on the disposal of investments in Qualifying Companies will be distributed to shareholders by way of dividends.

One 'A' Ordinary share will be issued to VCMS at R1 per share for every four Ordinary shares issued in terms of the PPM in order for it to participate in its 20% share of realised investment surpluses.

8. Description of the Private Placement

The Private Placement is as follows:

- 100 000 Ordinary shares at an issue price of R1 000 per share (subject to the Subscription Price Adjustment Formula set out in paragraph 13 below) are being offered for subscription in terms of this Private Placement Memorandum to invited investors, financial institutions, pension funds, business associates and employees of VCMS;
- The minimum subscription is 20 000 Ordinary shares;
- The maximum subscription is 100 000 Ordinary shares;
- The Board of Directors of Grovest reserves the right to waive the minimum subscription or to increase the maximum subscription to 120 000 shares.

9. Pro forma balance sheets

The pro forma balance sheets of Grovest at 28 February 2013, 31 May 2013 and 31 August 2013, assuming the offer is fully subscribed by the 31 August 2013 and after providing R3 000 000 for the establishment costs payable to VCMS will be as follows:

	28 Feb 2013	31 May 2013	31 Aug 2013
Capital Employed			
Share Capital	120 000	1 000 250	100 025 000
Ordinary shares	120 000	1 000 000	100 000 000
'A' Ordinary shares	-	250	25 000
Distributable reserves	-	-	(3 000 000)
	120 000	1 000 250	97 025 000
Employment of Capital			
Loan receivable	-	1 000 250	-
Cash and cash equivalents	120 000		97 025 000
Number of shares in issue – Ordinary	120	1 000	100 000
Number of shares in issue – 'A' Ordinary	-	250	25 000

These pro forma balance sheets exclude any commissions that may be payable to authorised intermediaries (refer to paragraph 10) and quarterly management fees payable to the Manager.

10. Details of the offer

Amount to be raised	R100 000 000*
Minimum Investment per Investor	R100 000
Maximum Investment per Investor	R20 000 000*
Offer price per Ordinary share (subject to the subscription price adjustment formula)	R1 000
Number of Ordinary shares to be issued	100 000
Establishment costs	R3 000 000
Net proceeds for the Company	R97 000 000

* assuming no increase in the size of the Offer

Investors who have been invited to apply should do so by completing the attached Private Placement Mandate and Application form in full in accordance with the provisions of this PPM.

Certain investors may be introduced to Grovest by authorised intermediaries. Grovest will pay these intermediaries an introductory commission in accordance with industry norms of 2.5% of the capital introduced and a trail commission of 0.25% per annum for four years. No commission will be payable in respect of investors introduced by VCMS.

11. Rights of ordinary shareholders and 'A' ordinary shareholders

Ordinary shares and 'A' Ordinary shares will rank *pari passu* in all respects except that the 'A' Ordinary shareholders will be entitled to ten votes per 'A' Ordinary share whilst the Ordinary shareholders will be entitled to one vote per share.

The Ordinary shareholders will be entitled to the return of their share capital prior to any return of share capital to the 'A' Ordinary shareholders.

12. Share buy backs

A purchase of ordinary shares in Grovest should be considered as a medium to long term investment. In the event of a shareholder needing to cash out their investment prematurely, the Board of Grovest will endeavour to place the shares on his behalf or in exceptional circumstances and at the discretion of the Board, Grovest may repurchase the shares at an appropriately discounted price.

13. Subscription price adjustment formula

The Initial Offer Price will be R1 000 per Ordinary share in respect of subscriptions received and paid before 31 August 2013 and thereafter the price per Ordinary share will adjust on a monthly basis as set out below:

- From 1-30 September offer price will be.....R1050 per share
- From 1-31 October offer price will be.....R1060 per share
- From 1-30 November offer price will be.....R1070 per share
- From 1-31 December offer price will be.....R1080 per share
- From 1-31 January offer price will be..... R1090 per share
- From 1-28 February offer price will beR1100 per share

14. *Grovest establishment costs*

The costs of setting up Grovest have been agreed with the Manager at an amount of R3 000 000, excluding VAT. Any excess costs will be borne by the Manager.

15. *Salient dates and times*

Opening date of the offer	15 June 2013
Final closing date of the offer	28 February 2014
Interim closings (subject to subscription price adjustment formula) at 17h00 on	Last business day of each month from August 2013 to January 2014
Applicants to be notified of success/failure of application	7 days from closing date
Posting of share certificates and/or refund of surplus	6 weeks after the relevant closing date

The dates and times in this Private Placement Memorandum are subject to change and any changes will be published on the Grovest website.

16. *Risk factors*

All the information in this Private Placement Memorandum should be considered by potential investors before making a decision to invest.

Venture capital investments are considered to be higher risk and generally more suitable for high net worth investors who are prepared to accept the risks inherent in investments of this nature.

Prospective investors are encouraged to seek independent financial, legal, tax and other relevant advice.

The Private Placement Memorandum can be accessed and downloaded on the Grovest website www.grovest.co.za.

Grovest Venture Capital Company Limited

(formerly Tariovert (Proprietary) Limited)

(Incorporated in the Republic of South Africa) (Registration number 2011/118279/06) ("Grovest" or "the company")



Non-executive Directors:

Malcolm Segal, Jeffrey Wayne Miller, Jeffrey Charles Livingstone, Don Jason Millar, Mark Isaac Sonik

Private Placement Memorandum

17. Purpose of the Private Placement

The purpose of the Private Placement is:

- To increase the capital of Grovest and thus enable it to invest in Qualifying Companies as defined in Section 12(J) of the Income Tax Act;
- To enhance investor and general public awareness of Grovest;
- To invite members of the public, financial institutions, pension funds, business associates and employees of VCMS to invest directly in Grovest;
- To establish a broad shareholder base for Grovest.

The proceeds of the offer will be utilised primarily to acquire investments in Qualifying Companies meeting the criteria more fully described herein.

18. Incorporation and history

Grovest was incorporated on 20 September 2011 under the name Tariovert (Proprietary) Limited. On 10 July 2012 the name was changed to Grovest Venture Capital Company (Proprietary) Limited. On the 6th of March 2013 it was converted to a public company and a new Memorandum of Incorporation was adopted, with amendments lodged on the 29th of May 2013. Grovest was dormant until 28 February 2013.

Grovest is a Venture Capital Company licensed as a Financial Services Provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) under licence number 44303.

It was registered by SARS as a Venture Capital Company in terms of Section 12(J) of the Income Tax Act No. 58 of 1962 under reference number VCC-0003.

Grovest has obtained legal opinion that it does not fall within the ambit of the Collective Investment Schemes Control Act no. 45 of 2002.

19. Investment opportunity

This Private Placement offers investors the opportunity to subscribe for Ordinary shares in Grovest.

The funds raised by the issue of Ordinary shares will be invested in a portfolio of investments carefully selected by the Manager as having the potential for high growth. Qualifying Companies will benefit not only from the capital invested by Grovest, but also from the experience and active involvement of the investment team.

20. *Investment return*

Grovest aims to achieve an investment return of no less than three times the Risk Capital invested which equates to a targeted Internal Rate of Return of 28% per annum.

Any investment in Grovest should be seen as a medium to long term investment.

21. *Tax deductibility of investment in Grovest*

Investors will be entitled to deduct the full amount of their investment in Grovest from their taxable income in the tax year ending 28 February 2014.

This tax relief mitigates the investment risk and significantly enhances the potential return.

The tax impact is best demonstrated by way of example:

An individual paying tax at the maximum marginal rate who invests R100 000 in Grovest.

Example:

Initial investment	R100 000
Income tax relief	R40 000
Net after tax cost of investment	R60 000
Attributable share of Grovest's establishment costs	R3 000
Net investment amount	R97 000

An investment made by a Trust will have the same tax effect. A company will get tax relief of R28 000 resulting in an effective cost of investment of R72 000.

Grovest intends to return realised investment surpluses as and when they arise to shareholders by way of dividends. Dividends paid will be subject to Dividend Withholding Tax as applicable.

A return of capital up to the amount of the initial investment will be subject to income tax as a recoupment in the hands of an investor. Amounts returned in excess thereof will be subject to CGT.

22. *Investment strategy*

Grovest will invest in small and medium sized South African companies which have the potential to grow rapidly and will provide them with capital and management support needed to unlock their full potential.

The R100 000 000 to be raised in terms of this PPM will be invested in approximately 15 to 20 investments.

The portfolio of investments to be acquired will comprise a spread of early stage, pre and post revenue businesses and businesses requiring growth capital.

Grovest will invest in companies with the following features:

- Exciting business models;
- Potential for rapid growth in revenues and profitability;
- Defensible market positions;
- Strong, balanced and well-motivated management teams who hold meaningful shareholdings in their companies;
- Attractive entry prices;
- Opportunities for VCMS to add value;
- The prospect of exiting with a meaningful investment surplus within a period of three to seven years.

The Manager is currently experiencing a strong flow of investment opportunities. The unavailability of bank finance for small enterprises is contributing to this strong deal flow. The Manager has a strategic alliance with Seed Engine, a Johannesburg based venture capital accelerator as well as relationships with other incubation and accelerator programs and businesses which generate attractive investment opportunities.

23. Investment criteria

Grovest will invest in Qualifying Companies subject to a strict set of investment covenants so as to develop a diversified portfolio.

Investment covenants include:

- No single investment to exceed 10% of Grovest's capital;
- Early stage portfolio of investments (pre revenue) not to exceed 20% of Grovest's capital;
- Early stage portfolio of investments (post revenue) not to exceed 40% of Grovest's capital;
- Growth stage portfolio of investments unlimited amount of Grovest's capital.

24. Investment process

VCMS has used the experience gained by its team to develop a rigorous investment process to ensure the highest standard of investment decision making. A small proportion of the large number of investment opportunities presented to VCMS will be selected for further investigation.

A thorough due diligence investigation will be conducted, comprising a review of the 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. VCMS may also appoint specialist professional advisers to assist it with its investigation if required.

If there is a satisfactory outcome to the due diligence process, a formal proposal will be submitted to the Grovest investment committee for consideration. The investment committee has full discretion to make investment decisions on behalf of Grovest.

25. Post investment management

Once an investment has been made, VCMS will apply the expertise and experience of its investment management team to add value to the Qualifying Company.

VCMS will seek to appoint a member of its investment team to the Boards of Qualifying Companies thereby ensuring:

- Good corporate governance;
- The review of monthly management accounts and related information to identify potential issues and

- opportunities;
- The approval of strategic decisions, including the approval of budgets, significant investments and recruitment of senior personnel;
- The right, should circumstances require, to replace under-performing management.

26. *Exit strategies*

Grovest will invest the funds raised in terms of this PPM as required by Section 12(J) of the Income Tax Act.

The investment horizon for investments will be three to seven years. Should the equity of any of the investee companies of Grovest be listed in due course on a stock exchange, Grovest will consider distributing Grovest shares in such companies to shareholders as dividends *in specie*.

Trade sales of investee companies for a consideration payable in cash or shares will also be considered as a method of realising Grovest investments.

27. *Risk mitigation and risk management*

The Grovest model incorporates a number of features which will mitigate the risks associated with early stage investments.

These primarily include:

- The tax deductibility of the amount invested in the tax year of investment;
- The experience of the Manager in selecting, structuring and managing investments;
- The investment criteria which have been put in place.

Key risk mitigation features include:

- Diversified portfolio of companies - Grovest will invest in a diversified portfolio of companies, thereby reducing the potential impact of under-performance by any individual investment;
- Stage of investment - Grovest will diversify its investment portfolio over the different investment stages of investment i.e. startups, growth and more mature companies;
- Rigorous investment process - VCMS has established rigorous processes for evaluating and approving prospective investments;
- A VCMS investment Manager will be appointed to the board of each investee company;
- Monitoring of investments - VCMS will closely monitor the performance of its investments to identify problems at an early stage such that swift corrective action can be taken when necessary;
- Co-investment - Grovest will consider co-investing with other funds managed by VCMS or other venture capital investment companies which will enable Grovest to invest in larger and more mature companies.

28. *Professional indemnity and fidelity insurance cover*

As required in terms of FAIS, suitable professional indemnity and fidelity insurance cover of a minimum amount of R5 000 000 will be procured within the required period.

29. *Directors and investment committee*

The Directors have overall responsibility for the Company's affairs, including monitoring the performance of the Manager and ensuring that the VCC status of the Company is maintained.

Non-executive Directors of Grovest

The full names, addresses and occupations of all of the directors of Grovest are set out below:

Name	Address	Occupation
Malcolm Segal	Unit B 99 Tyrwhitt Avenue Birdhaven, 2196	Non-executive Chairman
Jeffrey Charles Livingstone	1 Solitaire 73 A Pretoria Avenue Athol, 2192	Non-executive Director
Jeffrey Wayne Miller	8 Kinkel Close Woodmead Springs Sandton, 2052	Non-executive Director
Don Jason Millar	11 6th Avenue Parktown North, 2193	Independent Non-executive Director
Mark Isaac Sonik	61 Boundry Road Inanda, 2196	Independent Non-executive Director

Abridged curriculum vitae of the directors

Malcolm Segal 64, B.Com. CA (SA) CPA (ISR)

Non-executive Chairman

After qualifying as a Chartered Accountant in 1972, Malcolm practised as a partner of Grant Thornton (Chartered Accountant and Business Advisers) and was elected Managing partner of the Johannesburg office in 1986 and National Executive Chairman in 1989. Malcolm resigned from Grant Thornton in 1997 to establish a private equity investment fund which he managed until acquired by Sasfin Holdings Limited in 2005. In February 2012, Malcolm resigned from the boards of both Sasfin Holdings Limited and Sasfin Bank Limited to enable him to pursue his passion - entrepreneurship and entrepreneurial investment activities.

Malcolm currently sits on the boards of various companies in which he holds private equity investments and inter alia is also an External Member of the Special Credit Committee of The Industrial Development Corporation of South Africa Limited and a member of the Listings Advisory Committee of AltX (Alternate Exchange of the Johannesburg Securities Exchange). Malcolm is also the Chairman of VCMS.

Jeffrey Charles Livingstone 61, B.Com CA (SA) HDip Tax Law

Non-executive Director

Jeff is a practising Chartered Accountant and Chairman of Light & Livingstone Inc., Registered Accountants and Auditors. He qualified as a Chartered Accountant in 1976 after completing his articles at PKF. He completed the Higher Diploma in Tax Law in 1981. Jeff provides a wide range of professional services and has acted as a director of and consultant to several public and private companies. Jeff was instrumental in the listing of Net1 Applied Technology Holdings Limited on the Venture Capital Market of the Johannesburg Stock Exchange in 1997 and together with Jeff Miller played a significant role in the listing of Brandcorp Holdings Limited on the Johannesburg Stock Exchange in 1997. Jeff is currently a non-executive director of ADvTECH Limited, VCMS and a director of numerous other companies, as well as a trustee of numerous trusts.

Jeffrey Wayne Miller 52, B.Com B.Acc CA (SA)

Non-executive Director

Jeff is the CEO of VCMS. He is a Chartered Accountant having completed his articles at Grant Thornton and has over 30 years' experience investing in unquoted companies across numerous industries. Jeff is a start-up specialist, having started numerous companies. He co-founded Brandcorp, which was listed on the Johannesburg Stock Exchange in 1997, and which was later sold to Ethos Private Equity Partners by way of MBO for approximately R1,4 billion. He brings many years of operational and investment skills to the company. He is also the co-founder of KNR Flatrock, Balboa Finance, Born

Free Properties, Eurosuit, Bride & Co., Redwood Capital and Seed Engine. Jeff is also a member of the subcommittee of SAVCA focused on Venture Capital.

**Don Jason Millar 42, B.Com PGDA CA (SA)
Independent Non-executive Director**

Don is the managing director of Clarity Corporate Finance Solutions (Pty) Ltd an independent corporate finance advisory and investment boutique. He has more than 14 years investment banking and corporate finance experience. He previously served as senior executive at Bridge Capital and Senior Consultant at Deloitte & Touche Corporate Finance. He is a non-executive Director of Schindler Lifts SA (Pty) Limited.

**Mark Isaac Sonik 48, B.Com Economics
Independent Non-executive Director**

Mark Sonik is the founder and major shareholder of the Consilium Group of Companies, which group includes Consilium Securities, a member of the JSE and SAFEX. Mark qualified with a B.Com Economics in 1994 and passed JSE membership exams through Wits (1994) to become a member of the Institute of Stockbrokers. He is a member of the Institute of Directors of Southern Africa and a Director of companies, including Alpha Wealth, Bakwena Vanadium, Savyon Nurseries (TLV) as well as various other companies within the Consilium Group of companies. Mark manages a Global Macro Hedge Fund out of Johannesburg and London in addition to his executive responsibilities.

Malcolm Segal, Jeffrey Livingstone and Jeffrey Miller have committed to subscribe for a minimum of 1000 Ordinary shares each on the same terms as other Investors in terms of the Private Placement Memorandum.

Grovest Investment Committee

The Investment Committee comprises Malcolm Segal, Jeffrey Livingstone, Mark Sonik and Don Millar and decisions will be made on the basis of a majority vote by at least 75% of the members. The Committee will have the right to co-opt appropriately skilled parties as and when required.

Remuneration of Directors

Name of Director	Fees
Malcolm Segal	Nil
Jeffrey Miller	Nil
Jeffrey Livingstone	Nil
Don Millar	R10,000 per meeting
Mark Sonik	R10,000 per meeting

30. Management agreement with VCMS

Grovest is managed by VCMS. The Manager’s investment team has extensive experience in investment management including:

- Originating, evaluating and selecting suitable investment opportunities;
- Providing post investment management services;
- Identifying and implementing exits at the appropriate time.

The Company has entered into a 10 year Management Agreement with VCMS. VCMS is incentivised to deliver investment returns for Grovest.

Malcolm Segal is the Non-executive Chairman, Jeffrey Miller is the Chief Executive Officer and Jeffrey Livingstone is a Non-executive Director of VCMS, and they will be remunerated by VCMS.

31. Remuneration of VCMS

Annual Management Fee

VCMS will charge an annual management fee of 2,5% (excluding VAT) of the capital of Grovest, payable quarterly in advance commencing from the quarter ended 31 August 2013.

VCMS will be responsible for carrying the costs incurred in evaluating opportunities not implemented.

VCMS may charge directors and/or management fees to investee companies of Grovest.

VCMS Participation in Realised Investment Surpluses

Surpluses realised by Grovest on the disposal of investments will generally be distributed to shareholders by way of dividends.

One 'A' Ordinary share will be issued to VCMS at R1 per share for every four Ordinary shares issued in terms of the PPM in order for VCMS to participate in its 20% share of realised investment surpluses.

32. Grovest establishment costs

The costs of setting up Grovest have been agreed with the Manager at a fixed amount of R3 000 000 (excluding VAT). Any costs incurred in excess thereof will be borne by VCMS.

33. Details of the offer

Amount to be raised	R100 000 000 *
Minimum Investment per Investor	R100 000
Maximum Investment per Investor	R20 000 000 *
Offer price per Ordinary share (subject to the subscription price adjustment formula)	R1 000
Number of Ordinary shares to be issued	100 000
Establishment costs	R3 000 000
Net proceeds for the Company	R97 000 000

* assuming no increase in the size of the Offer

Investors who have been invited to apply should do so by completing the attached Private Placement Mandate and Application form in full in accordance with the provisions of this Private Placement Memorandum.

Certain investors may be introduced to Grovest by authorised intermediaries. Grovest will pay these intermediaries an introductory commission in accordance with industry norms of 2.5% of the capital introduced and a trail commission of 0.25% per annum for four years. No commission will be payable in respect of investors introduced by VCMS.

34. Pro forma balance sheets

The pro forma balance sheets of Grovest at 28 February 2013, 31 May 2013 and 31 August 2013, assuming the offer is fully subscribed by the first interim closing date and after providing R3 000 000 for the establishment costs payable to VCMS will be as follows:

	28 Feb 2013	31 May 2013	31 Aug 2013
Capital Employed			
Share Capital	120 000	1 000 250	100 025 000
Ordinary shares	120 000	1 000 000	100 000 000
'A' Ordinary shares	-	250	25 000
Distributable reserves	-	-	(3 000 000)
	120 000	1 000 250	97 025 000
Employment of Capital			
Loan receivable	-	1 000 250	-
Cash and cash equivalents	120 000		97 025 000
Number of shares in issue – Ordinary	120	1 000	100 000
Number of shares in issue – 'A' Ordinary	-	250	25 000

These pro forma balance sheets exclude any commissions that may be payable to authorised intermediaries and quarterly management fees payable to the Manager.

35. Applications

Prospective investors who have been invited to apply should do so by completing the attached Mandate and Application Form which is attached hereto as Annexure D.

The rights granted to an applicant to apply for shares in terms of the PPM may be exercised only by the invitee and may not be transferred, renounced or assigned in favour of anyone else.

Applications will be irrevocable once received by Grovest. No receipts will be issued for applications and/or payments received.

Applications can be made by a single addressee acting as applicant for a minimum of 100 shares at an acquisition cost of R100 000 and maximum of 20 000 shares at an acquisition cost of R20 000 000.

Applications will be regarded as complete once payment has been received. Payment may be made by bank guaranteed cheque (crossed "not transferable") or banker's draft or electronic transfer (confirmed by fax or electronic proof of payment).

All cheques and banker's drafts will be deposited into the bank account of Grovest.

Reservation of Rights

The directors of Grovest reserve the right to accept or refuse any application(s), either in whole or in part, or to abate any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

Results of Allocations

Applicants will be notified of the allocation of shares within seven days of the relevant closing date.

36. *Subscription price adjustment formula*

The Initial Offer Price will be R1 000 per Ordinary share in respect of subscriptions received and paid before 31 August 2013 and thereafter the price per Ordinary share will adjust on a monthly basis as set out below:

- From 1-30 September offer price will be..... R1050 per share
- From 1-31 October offer price will be..... R1060 per share
- From 1-30 November offer price will be R1070 per share
- From 1-31 December offer price will be..... R1080 per share
- From 1-31 January offer price will be..... R1090 per share
- From 1-28 February offer price will be R1100 per share

Over Subscriptions

In the event of any Private Placement application being rejected or accepted for a lesser number of shares than applied for, any surplus application monies received will be refunded by Grovest within seven days of the relevant closing date.

In the event of an over subscription, the allocation of shares will be decided by the Board in an equitable manner.

Issue of Shares

All Venture Capital shares to be issued in terms of the offer will be issued at the expense of Grovest.

37. *Prospective investors in a jurisdiction outside South Africa*

No action has been taken to permit the distribution of this document in a jurisdiction outside South Africa. No person receiving a copy of this document in any territory other than South Africa may treat the same as constituting an offer or invitation to him to subscribe for Ordinary shares unless, in such territory, such offer or invitation could lawfully be made. It is the responsibility of any person outside of South Africa 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.

38. *Minimum and maximum subscriptions*

- The minimum subscription is 20 000 Ordinary shares;
- The maximum subscription is 100 000 Ordinary shares;
- The Board of Grovest reserves the right to waive the minimum subscription or to increase the maximum subscription to 120 000 shares.

39. *Procedure to claim tax deduction of investment*

Investors will be entitled to deduct the full amount of their investment in Grovest from their taxable income in the tax year ending 28 February 2014.

A certificate to substantiate a claim for tax deduction will be sent to investors within 6 weeks of the relevant closing date.

Investors can claim the tax relief as follows:

- By obtaining a directive from SARS for a reduction in their PAYE deduction, or
- By reducing their estimate of taxable income when submitting their first, second or third Provisional Tax returns, or
- By obtaining a tax refund on their 2014 Income Tax assessments.

40. Communication with shareholders

Grovest recognises the need for good stakeholder communication. As such:

- The Annual Report will be sent to Shareholders by no later than 30 June of each year.
- Company announcements and updates will be posted on Grovest's website at regular intervals.

41. Corporate governance

Grovest subscribes to the standards of Corporate Governance set out in the King Report on Corporate Governance.

42. Share buy backs

An investment in Grovest should be considered as a medium to long term investment. In the event of a shareholder requiring to cash out his/her investment prematurely, the Board of Grovest will endeavour to place the shares with an alternate investor on his/her behalf.

In exceptional circumstances, and at the discretion of the Board, Grovest may repurchase such shares at an appropriately discounted value.

43. Loans and borrowing powers

Loans made by Grovest

At the date of this Private Placement Memorandum, an amount of R1 000 000 had been advanced to VCMS by Grovest.

Security Provided by Grovest

At the date of this Private Placement Memorandum, Grovest has not provided any security on behalf of any person or company.

Borrowing Powers of Grovest

The borrowing powers of Grovest are unlimited.

44. Cash resources on hand

It is anticipated that during the next two to three years following the Offer, funds raised will be progressively invested in Qualifying Companies. Whilst suitable Qualifying Companies are being identified, the funds will be invested in cash deposits, money market funds, fixed interest securities and secured loans. Surplus funds will be retained to fund the running costs of the Company and to fund further investments in Qualifying Companies.

Section 12(J) of the Income Tax Act requires that by 17 March 2016, at least 80% of the expenditure incurred by Grovest to acquire assets will be incurred to acquire Qualifying Shares in Qualifying Companies.

45. *Financial information*

Financial Year-end of Grovest

Grovest's financial year-end will be the last day of February of each calendar year.

Accounting Policies

The annual financial statements will be prepared in accordance with International Financial Reporting Standards.

Material Contracts

The only material contract entered into by Grovest to date is the Management Agreement with VCMS which is available for inspection at the premises of the Company and at the registered office of Grovest.

46. *Additional information*

Litigation Statement

There are no legal or arbitration proceedings pending or threatened which may have a material effect on the company's financial position.

Conflicts

In the event of any conflict or inconsistency between the terms of this Private Placement Memorandum and Grovest's MOI, the terms of the MOI shall prevail. In the event that it is necessary to amend the MOI in order to procure the enforcement of any of the provisions of this Private Placement Memorandum or to carry into effect the intent of this Private Placement Memorandum, the directors will apply all reasonable endeavours to procure that the MOI is so amended.

47. *Risk factors of venture capital investments*

All the information in this Private Placement Memorandum should be considered by potential investors before making a decision to invest in Grovest. Venture capital investments are considered to be speculative and are considered to be more suitable for investors in a high income bracket who are prepared to accept the risks inherent in investments of this nature.

Prospective investors should carefully consider their financial position and make every effort to familiarise themselves with the consequences of non-attainment by Grovest of the objectives outlined in this Private Placement Memorandum. It may be prudent to seek independent financial advice regarding this investment.

- Prospective investors should be aware that the value of the Ordinary shares of Grovest will fluctuate and investors may not receive back the full amount originally invested.
- Changes in legislation concerning VCCs in general and Qualifying Investments may restrict or adversely affect the ability of Grovest to meet its objectives.
- There can be no assurances that Grovest will meet its objectives.
- In order to comply with VCC legislation, Qualifying Companies must be unlisted and have a book

value of assets of not more than R20 000 000 after Grovest's investment. Such companies generally have a higher risk profile than larger, listed companies.

- Qualifying Investments made by Grovest will be in companies whose shares are not listed and will therefore not be readily marketable.
- Grovest may acquire minority stakes in Qualifying Companies in which case it is unlikely to exercise control of the Qualifying Company's board of directors. Grovest is seeking to raise up to R100 000 000 through the Offer. To the extent that a lesser amount of funds is raised, the resultant investment portfolio may be less diversified than if the Offer had been fully subscribed. The value of an investment in Grovest will depend on the performance of its underlying investments.
- Whilst the Company may, in exceptional circumstances, buy back Ordinary shares from Shareholders, there will be no obligation for it to do so.

48. Salient provisions of the MOI regarding share capital

48a. Authorised shares

The company is authorised in terms of section 36(1) of the Act to issue up to 200 000 Ordinary shares and 50 000 'A' Ordinary shares. In this regard, it is recorded that in respect of every four Ordinary shares issued by Grovest to its Ordinary shareholders, the company will issue one 'A' Ordinary share to the Manager for a subscription price of R1,00.

48b. Rights attaching to ordinary shares

The holders of each Ordinary share shall have the rights and privileges associated therewith in terms of the Act and the MOI including:

- The right to be entered in the securities register as the registered holder of such Ordinary share;
- The right to receive notice of, attend, participate in, speak at and vote, in person or by proxy, on any matter to be considered at any meeting of the holders of the Ordinary shares, on the basis that (i) each Ordinary share shall confer one vote on the holder thereof at any meeting of the shareholders in the case of a vote by means of a poll; and (ii) all the Ordinary shares held by an Ordinary shareholder shall entitle such Ordinary shareholder to one vote in aggregate in respect of a vote taken on a show of hands at any meeting of the shareholders;
 - » The right to receive a portion of the total net assets of the company remaining upon its liquidation or winding up; and
 - » Any other rights attaching to the Ordinary shares in terms of the Act or any other law.

48c. Rights attaching to the 'A' ordinary shares

The holders of each 'A' Ordinary share shall have the rights and privileges associated therewith in terms of the Act and the MOI including:

- The right to be entered in the securities register as the registered holder of such 'A' Ordinary share;
- The right to receive notice of, attend, participate in, speak at and vote, in person or by proxy, on any matter to be considered at any meeting of the holders of the 'A' Ordinary shares, on the basis that (i) each 'A' Ordinary share shall confer one vote on the holder thereof at any meeting of the 'A' Ordinary shareholders in the case of a vote by means of a poll; and (ii) all the 'A' Ordinary shares held by an 'A' Ordinary shareholder shall entitle such 'A' Ordinary shareholder to one vote in aggregate in respect of a vote taken on a show of hands at any meeting of the 'A' Ordinary shareholders;
- The right to receive notice of, attend, participate in, speak at and vote, in person or by proxy, on any matter to be considered at any meeting of the holders of the Ordinary shares, on the basis that (i) each 'A' Ordinary share shall confer ten votes on the holder thereof at any meeting of the Ordinary shareholders in the case of a vote by means of a poll; and (ii) all the 'A' Ordinary shares held by an 'A' Ordinary shareholder shall entitle such 'A' Ordinary shareholder to ten votes in aggregate in respect of a vote taken on a show of hands at any meeting of the Ordinary shareholders;

- The right to receive a portion of the total net assets of the company remaining:
 - » upon its liquidation or winding up; and
 - » after the repayment to shareholders of the issued Ordinary share capital of the company.
- Save as set out in this paragraph, the 'A' Ordinary shares shall rank *pari passu* with the Ordinary shares.

49. *Salient dates and times*

Opening date of the offer	15 June 2013
Final closing date of the offer	28 February 2014
Interim closings (subject to subscription price adjustment formula) at 17h00 on	Last business day of each month from August 2013 to January 2014
Applicants to be notified of success/failure of application	7 days from closing date
Posting of share certificates and/or refund of surplus	6 weeks after the relevant closing date

The dates and times in this Private Placement Memorandum are subject to change and any changes will be published on Grovest's website.

50. *Annexures*

- a. Financial Services Board Licence;
- b. Letter from SARS approving application for venture capital status in terms of Section 12(J) of the Income Tax Act;
- c. Extract containing the provisions of Section 12(J) of the Income Tax Act;
- d. Mandate and Application form to participate in the Offer.

ANNEXURE A



FINANCIAL SERVICES BOARD

LICENCE No. 44303

FINANCIAL SERVICES PROVIDER
Financial Advisory and Intermediary Services Act, 2002

It is hereby certified that with effect from 12 February 2013

GROVEST VENTURE CAPITAL COMPANY (PTY) LTD
trading as GROVEST

IS LICENSED AS A FINANCIAL SERVICES PROVIDER IN TERMS OF SECTION 8 OF THE
FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002 (ACT NO. 37 OF 2002)
subject to the conditions and restrictions set out in the Annexure




.....
REGISTRAR OF FINANCIAL SERVICES PROVIDERS

This document to be displayed in terms of section 8(8)(a) of the Act. The Annexure to be available for the information of clients.

ANNEXURE B

Large Business Centre
Venture Capital Company
Office

Enquiries
Tony Venables

Switchboard
(011) 602 2000

Direct Line
011 602 3730

Facsimile
011 602 3525

E-mail
avenables@sars.gov.za

Sector
VCC Office

Reference
9845329153

Date
18 March 2013



South African Revenue Service

Large Business Centre

1st Floor, Blocks A and B,
Megawatt Park, Maxwell Drive,
Sunninghill, Sandton
(No postal deliveries to this address)

Private Bag X170, Rivonia, 2128

SARS online: www.sars.gov.za

The Public Officer
Grovest Venture Capital Company (Pty) Ltd
P O Box 1277
Gallo Manor
2052

Attention: Jeff Miller

Dear Sir

GROVEST VENTURE CAPITAL COMPANY (PTY) LIMITED
APPROVAL OF APPLICATION FOR VENTURE CAPITAL COMPANY STATUS

I refer to your application to register as a Venture Capital Company (VCC) in terms of section 12J of the Income Tax Act No 58 of 1962 ("the Act").

The application has been successful and the company is now an approved VCC. Your reference number is VCC-0003. Please quote this reference number when communicating with SARS.

Please note that should the company at any stage fail to comply with the provisions of section 12J of the Act the approval may be withdrawn and the company could become liable for penalties. You may refer to the VCC reference guide on the SARS website for guidance in this regard.

Yours faithfully

Tony Venables
for Commissioner: SARS

Michael Clancy

ANNEXURE C

Income Tax Act, 1962 (Act 58 of 1962)

Chapter II: The Taxes

Part I: Normal Tax

12J. Deductions in respect of expenditure incurred in exchange for issue of venture capital company shares

1) For the purposes of this section—

‘impermissible trade’ means—

- a) any trade carried on in respect of immovable property, other than a trade carried on as an hotel keeper;
- b) any trade carried on by a bank as defined in the Banks Act, 1990 (Act No. 94 of 1990), a long-term insurer as defined in the Long-Term Insurance Act, 1998 (Act No. 52 of 1998), a short term insurer as defined in the Short-Term Insurance Act, 1998 (Act No. 53 of 1998), and any trade carried on in respect of money-lending or hire-purchase financing;
- c) any trade carried on in respect of financial or advisory services, including trade in respect of legal services, tax advisory services, stock broking services, management consulting services, auditing or accounting services;
- d) any trade carried on in respect of gambling;
- e) any trade carried on in respect of liquor, tobacco, arms or ammunition;
- f) ~~deleted by Act No. 24 of 2011 of the Taxation Laws Amendment Act~~; or
- g) any trade carried on mainly outside the Republic;

‘junior mining company’ means any company that is solely carrying on a trade of mining exploration or production which is either an unlisted company as defined in section 41 or listed on the alternative exchange division of the JSE Limited;

‘qualifying company’ means any company if—

- a) that company is a resident;
- b) the company is not a controlled group company in relation to a group of companies;
- c) the tax affairs of the company are in order and the company has complied with all the relevant provisions of the laws administered by the Commissioner;
- d) the company is an unlisted company as defined in [section 41](#) or a junior mining company;
- e) the company is not carrying on any impermissible trade; and
- f) the sum of the investment income, as defined in [section 12E\(4\)\(c\)](#), derived by that company during any year of assessment does not exceed an amount equal to 20 per cent of the gross income of that company for that year;

‘qualifying share’ means an equity share held by a venture capital company which is issued to that company by a qualifying company, and does not include any share which—

- a) ~~deleted by Act No. 24 of 2011 of the Taxation Laws Amendment Act~~;
- b) would have constituted a hybrid equity instrument, as defined in [section 8E\(1\)](#), but for the three-year period requirement contemplated in paragraph (a) of the definition of ‘hybrid equity instrument’ in that section; or
- c) constitutes a third-party backed share as defined in [section 8EA\(1\)](#);

‘venture capital company’ means a company that has been approved by the Commissioner in terms of subsection (5) and in respect of which such approval has not been withdrawn in terms of subsection (6) or (6A):

‘venture capital share’ means an equity share held by a taxpayer in a venture capital company which is issued to that taxpayer by a venture capital company, and does not include any share which—

ANNEXURE C

- a)[deleted by Act No. 24 of 2011 of the Taxation Laws Amendment Act];
- b)would have constituted a hybrid equity instrument, as defined in section 8E(1), but for the three-year period requirement contemplated in paragraph (a) of the definition of 'hybrid equity instrument' in that section; or
- c)constitutes a third-party backed share as defined in section 8EA(1).
- 2)Subject to subsection (3), (3A), and (4), there must be allowed as a deduction from the income of a taxpayer expenditure actually incurred by that taxpayer in acquiring any venture capital share issued to that taxpayer by a venture capital company.
- 3)
- a)Where, during any year of assessment-
- i)any loan or credit has been used by a taxpayer for the payment or financing of the whole or any portion of any expenditure contemplated in subsection (2); and
- ii)any portion of that loan or credit is owed by the taxpayer on the last day of the year of assessment, the amount which may be taken into account as expenditure that qualifies for a deduction in terms of subsection (2) must be limited to the amount for which the taxpayer is in terms of paragraph (b) deemed to be at risk on the last day of the year of assessment.
- b)For the purposes of paragraph (a), a taxpayer must be deemed to be at risk to the extent that-
- i)the incurral of the expenditure contemplated in subsection (2); or
- ii)the repayment of any loan or credit (other than any loan or credit contemplated in paragraph (ii) of the proviso to this paragraph) used by the taxpayer for the payment or financing of any expenditure contemplated in subsection (2),
- would (having regard to any transaction, agreement, arrangement, understanding or scheme entered into before or after such expenditure is incurred) result in an economic loss to the taxpayer were no income to be received by or accrue to the taxpayer in future years from the disposal of any venture capital share issued to the taxpayer as a result of the incurral of that expenditure,
- : **Provided that** the taxpayer must not be deemed to be at risk to the extent that-
- aa)the loan or credit is not repayable within a period of five years from the date on which that loan or credit was advanced to the taxpayer; and
- bb)any loan or credit used by the taxpayer for the payment or financing of the whole or any portion of any expenditure contemplated in subsection (2) is (having regard to any transaction, agreement, arrangement, understanding or scheme entered into before or after such expenditure is incurred) granted directly or indirectly to the taxpayer by the venture capital company by which the qualifying shares are issued as a result of the incurral of that expenditure.
- 3A)If, during any year of assessment-
- a)a taxpayer incurs expenditure as contemplated in subsection (2); and
- b)as a result of or immediately after the acquisition of a venture capital share in a venture capital company that taxpayer is a connected person in relation to that venture capital company, no deduction must be allowed in terms of subsection (2) during that year of assessment in respect of any expenditure incurred by the taxpayer in acquiring any venture capital share issued to that taxpayer by that venture capital company.
- 4)A claim for a deduction in terms of subsection (2) must be supported by a certificate issued by the venture capital company stating the amounts invested in that company and that the Commissioner approved that company as contemplated in subsection (5).
- 5)The Commissioner must approve a venture capital company if that company has applied for approval and the Commissioner is satisfied that—
- a)the company is a resident;
- b)the sole object of the company is the management of investments in qualifying companies;
- c)[deleted by Act No. 24 of 2011 of the Taxation Laws Amendment Act];
- d)[deleted by Act No. 24 of 2011 of the Taxation Laws Amendment Act];
- e)the tax affairs of the company are in order and the company has complied with all the relevant provisions of the laws administered by the Commissioner;
- f)[deleted by Act No. 24 of 2011 of the Taxation Laws Amendment Act]; and

ANNEXURE C

g)the company is licensed in terms of section 7 of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002).

6)If the Commissioner is satisfied that any venture capital company approved in terms of subsection (5) has during a year of assessment failed to comply with the provisions of that subsection, the Commissioner must, after due notice to the company withdraw that approval from the commencement of that year if corrective steps acceptable to the Commissioner are not taken by the company within a period stated in that notice.

6A)If, after the expiry of a period of 36 months commencing on the date of approval by the Commissioner of a company as a venture capital company in terms of subsection (5), the Commissioner is not satisfied that—

a)[deleted by Act No. 24 of 2011 of the Taxation Laws Amendment Act]; or

b)at least 80 per cent of the expenditure incurred by the company in that period to acquire assets held by the company was incurred to acquire qualifying shares issued to the company by qualifying companies, each of which, immediately after the issue, held assets with a book value not exceeding—

i)R300 million, where the qualifying company was a junior mining company; or

ii)R20 million, where the qualifying company was a company other than a junior mining company; or

c)no more than 20 per cent of the expenditure incurred by the company to acquire qualifying shares held by the company was incurred for qualifying shares issued to the company by any one qualifying company, the Commissioner must after due notice to the company withdraw that approval from the commencement of that year if corrective steps acceptable to the Commissioner are not taken by the company within a period stated in the notice;

7)A company may apply for approval in terms of subsection (5) in respect of the year of assessment following the year of assessment during which approval was withdrawn in respect of that company in terms of subsection (6) or (6A)if the non-compliance which resulted in the withdrawal has been rectified to the satisfaction of the Commissioner.

8)If the Commissioner withdraws the approval of a company in terms of subsection (6) or (6A) as a result of non-compliance with subsection (5), an amount equal to 125 per cent of the expenditure incurred by any person for the issue of shares held in the company must be included in the income of the company in the year of assessment in which the approval is withdrawn by the Commissioner.

9)A venture capital company must submit to the Commissioner an annual return within such time and containing such information as the Commissioner may prescribe.

10)A venture capital company must submit to the Minister a report providing the Minister with the information that the Minister may prescribe.

11)No deduction shall be allowed under this section in respect of shares acquired after 30 June 2021.

ANNEXURE D



Mandate and application form
entered into between

GROVEST VENTURE CAPITAL COMPANY LTD

(Registration Number: 2011/118279/06)

(Hereinafter referred to as "Grovest")

AND

CLIENT INVESTOR

(Hereinafter referred to as "the Client")

FOR THE RENDERING OF SERVICES AND THE MANAGEMENT OF
INVESTMENTS BY A DISCRETIONARY FINANCIAL SERVICES PROVIDER IN
A SECTION 12 (J) VENTURE CAPITAL COMPANY

WHEREBY IT IS AGREED

1. AUTHORISATION

- 1.1. Grovest is the holder of a FAIS category II licence and is authorised to render investments of a discretionary nature in respect of investments governed by Sec 12(J) of the South African Income Tax Act, 1962 (Act 58 of 1962), as amended.
- 1.2. The Client authorises Grovest to act on its behalf.
- 1.3. Grovest will have full discretion in terms of this mandate to manage the Client's investment as more fully disclosed in the Grovest Private Placement Memorandum.
- 1.4. Grovest is authorised to invest in, and switch from any of the following financial products in terms of the FAIS Category II discretionary FSP:
 - Securities and Instruments: Shares (2.5)
 - Securities and Instruments: Money Market Instruments (2.6)
 - Securities and Instruments: Debentures and securitised debt (2.7)
 - Securities and Instruments: Warrants, certificates and other instruments acknowledging, conferring or creating rights to subscribe to, acquire, dispose of, or convert securities and instruments referred to in subcategories 2.5, 2.6 and 2.7 above. (2.8)
 - Securities and Instruments: Bonds (2.9)
 - Long term deposits (2.13)
 - Short term deposits (2.14)
- 1.5. Grovest may make use of the services of its staff, or that of a management company, to execute certain administrative functions.

2. INVESTMENT OBJECTIVES

- 2.1. The investment objective of Grovest is to invest in Venture Capital Companies ("VCC") as defined in Sec 12(J) of the South African Income Tax Act, 1962 (Act 58 of 1962), as amended ("Act").
- 2.2. VCC companies are restricted to invest in companies of local jurisdiction only in terms of the Act.

3. REPORTS

Annual Audited Financial statements as well as all legal prescribed documents will be provided to the Client electronically or alternatively by registered post at the Client's discretion.

4. RISK DISCLOSURE

- 4.1. Grovest will use its discretion to invest on the Client's behalf with great care and diligence. There is however a high risk associated with investing in VCC companies. The value of the investments may rise as well as fall, and there is a risk that the Client may suffer financial losses. The Client does not have a claim against Grovest in the event of the realisation of this risk unless it can be proved that the losses were due to negligence, fraud, misconduct or dishonesty by Grovest or its staff.
- 4.2. The Client is aware that the investment is of a long term nature.

5. REGISTRATION OF INVESTMENTS

- 5.1. Grovest will register the investments that it holds, in the name of Grovest, from time to time, or in the name of an FSB approved nominee company, that Grovest may nominate.
- 5.2. The Client must deposit his investment into the Grovest bank account.

Details as follows:

Bank:	Standard Bank
Branch:	Sandton
Branch no:	019205
Account Number:	422094811

- 5.3. Grovest may make withdrawals from this account to make investments and pay expenses.

6. ACCRUALS

All cash accruals received in respect of the Investments, including dividends and interest, shall be reinvested as and when they fall due and shall form part of the Investments, unless at Grovest's discretion, it repays part or all of these proceeds back to the Client.

7. FEES AND EXPENSES

- 7.1. Annual management fee

The Manager will be entitled to receive an annual management fee equal to 2.5 % of capital under management of the Company, payable quarterly in advance.

7.2. Performance-related incentive fee

In consideration of the Manager's performance in managing the VCC, a performance incentive fee linked to the profit achieved on the future disposal of investments from this portfolio will be payable. This performance incentive fee will be distributed as a dividend equal to 20% of the aggregate dividends declared.

7.3. Set up costs

Grovest has agreed to pay the Manager a fixed fee of R3 000 000 (excluding VAT) in respect of the setup costs of the Company. The Manager will be responsible for all the related costs, including the PPM, professional fees, marketing expenses, disbursements and other setup costs, excluding any commission payable on capital raised by authorised intermediaries.

8. VOTING ON BEHALF OF CLIENTS

8.1. Grovest may vote on behalf of the Client in respect of its investments in Qualifying Companies.

9. TERMINATION OF MANDATE

9.1. Grovest may be wound up prior to, but no later than 10 years from the effective date.

9.2. Any amendment of any provision of this mandate shall be in writing and shall be by means of a supplementary or new agreement between Grovest and the Client.

10. DECLARATION REGARDING FUNDS AND INVESTMENTS

10.1. The Client declares that all funds and investments placed under Grovest's management in terms of this mandate are from a legitimate source and are not the "proceeds of unlawful activities", as defined in the Prevention of Organised Crime Act, No. 121 of 1998.

10.2. The Client further warrants that, where required, all funds placed under Grovest's management in terms of this mandate are declared in terms of the Income Tax Act of 1962.

10.3. In terms of section 8(4) of FAIS the Client agrees not to make available financial information for Grovest to conduct financial analysis in order to assess the clients objectives and needs. The Client understands the implications thereof.

11. EFFECTIVE DATE

This mandate will become of force and effect on the receipt of a signed application form from the Client, together with the investment funds.

SIGNED AT _____ ON THIS _____ DAY OF _____

For and on behalf of Grovest Venture Capital Company Ltd, the signatory warranting that he/she is duly authorised:

1. 2. _____

As witnesses to the signature of Grovest

SIGNED AT _____ ON THIS _____ DAY OF _____

By the Client:

1. 2. _____

As witnesses to the signature of the Client

Please complete the application form below:

Offer for subscription of shares in Grovest Venture Capital Company Ltd

Before completing this Mandate and Application Form, you acknowledge that you have read the Private Placement Memorandum, have accepted and signed the mandate and agree to the terms of the Offer. The Offer opens on 15 June 2013 and the closing date in respect of the 2013/2014 offer will be 17h00 on 28 February 2014 (or earlier if the maximum subscription has been reached).

I / We accordingly hereby irrevocably offer to subscribe for the following amount of Ordinary shares in accordance with the Terms and Conditions of the 2013/2014 Offer set out in the Private Placement Memorandum:

Please complete in BLOCK Capitals

Section 1

Title (Mr/ Mrs/ Miss/ Ms/ Other) Surname

Forename(s) in full / Entity Name

Date of Birth Identity / Registration No

Residential address Postal address

Postcode E-mail*

*Please insert your email address if you wish to receive updates regarding the progress of Grovest.

Telephone (work) Telephone (mobile)

Section 2

The minimum application amount is R100 000.

Number of Shares	Price per share subject to pricing formula	Total value
<input type="text"/>	<input type="text"/>	<input type="text"/>

Payment by electronic transfer or cheque must be made into the following bank account, with the initials and surname of the Applicant as the reference:

Bank: Standard Bank
Branch: Sandton
Branch code: 019205
Account name: Grovest Venture Capital Company Limited
Account number: 422094811
Reference: "Initials, Surname of Applicant"

SIGNATURE _____ DATE _____

NOTE

Applications are irrevocable and may not be withdrawn once submitted. Please refer to the terms and conditions of the Offer set out in the Private Placement Memorandum. Applicants should consult their broker, banker, or other professional regarding this Offer.

The completed Mandate and Application form may be scanned and emailed to jeffm@grovest.co.za or faxed to 086 630 2556 or hand delivered to: 164 Katherine Street, Building 2, Pinmill Office Farm, Strathavon, Attention Jeff Miller to be received by no later than 12h00 on the last business day of the applicable closing period. No late applications will be accepted.

AUTHORISED FINANCIAL ADVISER DETAILS (if applicable)

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» **Room** » P » 021 418 1954 » C » 072 1903672 » E » studio@roomfordesign.co.za » W » roomfordesign.co.za
FOR DESIGN 8 St George's Mall » IDS House » 8th Floor » Room 812 » Cape Town » 8001 » South Africa
 ++++++

CLIENT	GROVEST	PRODUCT	Grovest Memorandum Content
CONTACT		PRINT PROCESS	Digital - confirm with client
PHONE		COLOURS	CMYK
EMAIL		OTHER	
DATE	5 August 2013		

DISCLAIMER Although every endeavour has been made to ensure accuracy, we advise that Marnhe du Plooy T/A Room for Design is absolved of any negative deviation, of this finished artwork, that may be created by any of the following: Individual printers specifications and or limitations, printers reproduction house adjustments, print misregistration, change of colour print order if specified here, spread or clip that may be necessary for specific types of printing, faulty barcode scanning caused by bad printing of barcodes, changes by client at print stage and any other errors (including but not limited to spelling mistakes) which may exist. This is the final check. Do not sign if there are any errors. The signed off copy is going to production. It is advised that client has a printers' colour proof or dummy/mock-up printed/made (in the case of print) to ensure all colours display correctly. Marnhe du Plooy T/A Room for Design also offers the service of production management ~ please enquire.

CLIENT SIGNATURE DATE

Client is signing off on this design to proceed with production. This is not a colour proof. Next step: Production*

NOTE!
 *The signing of this, releases artwork for production. No changes possible once signed.

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grovest

164 Katherine Street, Pinmill Office Park, Building 2, Strathavon, Johannesburg, South Africa, 2196

Email: jeffm@grovest.co • Registered with FSB, SARS and a Member of SAVCA