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If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Shares in Kings Arms Yard VCT PLC, please send this document, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee. The subsequent recipient of this document should immediately contact Computershare Investor Services to obtain a form of proxy for use in connection with the Annual General Meeting (as detailed below).

BDO LLP (BDO), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting for the Company and no one else in relation to the advice described in this document and will not be responsible to any other person for providing the protections afforded to customers of BDO in providing advice in connection with any matters referred to in this document.

SGH Martineau LLP, which is regulated in the United Kingdom by the Solicitors Regulation Authority, is acting as legal adviser to the Company and no-one else and will not be responsible to any other person for providing advice in connection with any matters referred to in this document.

KINGS ARMS YARD VCT PLC

(Registered in England and Wales with registered number 03139019)

Notice of Annual General Meeting and Recommended Proposal to Approve a new Performance Incentive Fee Arrangement

You will find set out at the end of this document notice of the Annual General Meeting to be held at 11.00 a.m. on 24 May 2013 at The City of London Club, 19 Old Broad Street, London EC2N 1DS to approve resolutions to effect the proposals contained herein.

To be valid, the form of proxy enclosed with this document should be returned not less than 48 hours before the meeting either by post or by hand (during normal business hours only) to the Company's registrar, Computershare Investor Services, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or alternatively Shareholders may use Computershare's online proxy voting service, details of which are set out on the enclosed proxy card.

For further information on the meeting or the completion and return of a form of proxy, please telephone Computershare Investor Services between 9.00 a.m. and 5.00 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0870-873-5859. Calls to the helpline are charged at UK's national rate. Calls to Computershare Investor Services from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Computershare Investor Services will not be able to give advice on the merits of the proposals or provide financial, legal, tax or investment advice.

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EXPECTED TIMETABLE

Latest time and date for receipt of forms of proxy for the Annual General Meeting	11.00 a.m. on 22 May 2013
Annual General Meeting	11.00 a.m. on 24 May 2013

DEFINITIONS

“Albion”	Albion Ventures LLP
“Annual General Meeting”	the annual general meeting of the Company to be held on 24 May 2013
“Annual Report”	the annual report and financial statements of the Company for the year ended 31 December 2012
“Articles”	the articles of association of the Company, as amended from time to time
“BDO”	BDO LLP
“Board”	the board of Directors of the Company
“CA 1985”	the Companies Act 1985, as amended from time to time
“CA 2006”	the Companies Act 2006, as amended from time to time
“Company”	Kings Arms Yard VCT PLC
“Directors”	the directors of the Company (and each a “Director”)
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000
“KAY 2”	Kings Arms Yard VCT 2 PLC
“Listing Rules”	the listing rules of the UKLA
“Merger” or “Scheme”	the merger between the Company and KAY 2 by way of a scheme of reconstruction, pursuant to which the assets and liabilities of KAY 2 were transferred to the Company in exchange for the issue to KAY 2 shareholders of 99,050,205 Shares at an issue price of 16.5349 pence per Share on 30 September 2011
“NAV” or “net asset value”	net asset value of a company or, as applicable, a share, calculated in accordance with the relevant company’s normal accounting policies
“Proposal”	the proposal to approve the Related Party Transaction as set out in this document and the Resolutions
“Related Party Transaction”	the new performance incentive fee arrangement proposed to be entered into between the Company and Albion (the Company’s investment manager), which constitutes a related party transaction under the Listing Rules, as described on pages 6 and 7
“Resolutions”	the resolutions to be proposed at the Annual General Meeting (and each a “Resolution”)
“RPI”	the retail prices index as compiled by the Office for National Statistics
“Shareholders”	holders of Shares (and each a “Shareholder”)
“Shares”	ordinary shares of 1 penny each in the capital of the Company (and each a “Share”)

“Start Date”	where the Company has announced final or half yearly results with a NAV per Share equal to, or greater than, 20 pence the commencement of the first yearly or half-yearly accounting period of the Company after the period to which such final or half yearly results relate
“Starting NAV”	a net asset value of 20 pence per Share
“Total Return”	in relation to any period, the aggregate of the NAV per Share as at the end of that period and dividends per Share paid by the Company since the Start Date
“UKLA” or “UK Listing Authority”	the UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VII of the Financial Services and Markets Act 2000
“VCT” or “venture capital trust”	a company satisfying the requirements of Chapter 3 of Part 6 of the Income Tax Act 2007 for venture capital trusts

LETTER FROM THE CHAIRMAN

KINGS ARMS YARD VCT PLC

(Registered in England and Wales with registered number 03139019)

Directors:

Robin Field (*Chairman*)
Thomas Chambers
Martin Fiennes
Alan Lamb

Registered Office:

1 King's Arms Yard
London
EC2R 7AF

17 April 2013

Dear Shareholder

Notice of Annual General Meeting and recommended proposal to approve a new performance incentive fee arrangement

Annual General Meeting

The forthcoming Annual General Meeting of the Company will be held at 11.00 a.m. on 24 May 2013 at The City of London Club, 19 Old Broad Street, London EC2N 1DS, notice of which is set out at the end of this document. The notice includes the usual resolutions for which authority from Shareholders pursuant to CA 2006 and the Articles is sought at annual general meetings of the Company. An explanation of these resolutions (Resolutions 1 to 9) is contained in Appendix 1.

It is also proposed to obtain Shareholder approval to introduce a performance incentive fee arrangement for Albion, the investment manager of the Company. Approval by Shareholders of this arrangement is required pursuant to the Listing Rules as it is regarded as a related party transaction and is being sought under Resolution 10, which is to be proposed at the Annual General Meeting. An explanation of this resolution is set out below.

New Performance Incentive Fee Arrangement

Introduction

When Albion was appointed as the Company's investment manager with effect from 1 January 2011, the Board wrote to Shareholders to explain the change, and to seek approval for the associated amendments to the Company's investment policy. In that letter, the Board stated that it intended "to discuss an appropriate incentive arrangement with Albion at a later date, which will be subject to Shareholder approval at the time. It has been agreed that no performance or incentive fee shall be payable to Albion for any periods prior to 31 December 2012."

Now that Albion has been responsible for the Company's investment portfolio for over two years, a period which has seen a marked improvement in the Company's performance, the Board considers that the time has come to introduce a performance incentive fee arrangement with a view to rewarding Albion for further out-performance in the future.

Albion, in its capacity as investment manager of the Company, being a closed-ended investment fund, is regarded as a 'related party' of the Company under the Listing Rules. The performance incentive fee arrangement, therefore, constitutes a related party transaction requiring the approval of Shareholders pursuant to the Listing Rules. The entering into of the performance incentive fee arrangement (which would be effected through a variation to the existing investment management agreement detailed at paragraph 5.2 of Appendix 2) is, therefore, conditional on the approval of Resolution 10 at the Annual General Meeting.

Progress over the two years to 31 December 2012

The Company has now been under the investment management of Albion for over two years and the Board is pleased with the progress being made. The Board recognises that Albion demonstrated a strong commitment towards achieving future success for the Company when on appointment it agreed to waive management fees for the whole of 2011, being the 12 months from the date of its appointment, particularly in the light of the tasks to be done.

In the letter to Shareholders seeking to amend the Company's investment policy, the Board stated that it believed "that the appointment of a new manager with the expertise of growing more mature businesses across a broad range of sectors will provide a sustainable future for the Company whilst delivering a steady annual yield." An appraisal of Albion's achievements against their objectives is set out below.

Objectives

Achievements since Albion's appointment on 1 January 2011

Reposition the portfolio through a programme of exits, and to reinvest the proceeds in line with the new investment policy

- £14.8 million has been realised through disposals of investments in 11 companies, an amount which represents 40 per cent of the combined NAV of £36.5 million at the point of Albion's appointment.
- £6.0 million has been invested in 10 new investee companies and a further £3.2 million has been invested in 9 existing investee companies.

To increase the cost effectiveness of the Company, including through a merger

- The Company and KAY 2 were merged in 2011 which resulted in annual cost savings of approximately £80,000.

To provide a sustainable annual dividend

- Dividends totalling 1.67 pence have been paid since Albion's appointment.
- A regular annual dividend target of 1 penny per Share has been instituted.

Create total shareholder return

- The shareholder return since Albion's appointment is set out below.

Shareholder return per Share since the appointment of Albion on 1 January 2011

Dividends paid since 1 January 2011	1.67p
Increase in net asset value since 1 January 2011	2.34p
Cumulative total return since 1 January 2011	4.01p

Proposed new performance incentive fee arrangement

As intended at the time Albion was appointed, the Board believes that a suitable performance incentive fee arrangement should now be introduced to incentivise enhanced performance of the Company.

The Board believes that performance incentive fee arrangements are an important tool in focussing, rewarding and retaining strong management, but the Board is conscious that they are a sensitive issue. The Company's last performance fee was introduced in June 2008, when the Company was under the management of Spark Venture Management Limited, and replaced a previous performance fee introduced in 2005, when the Company was under the management of Quester Capital Management. Both have now lapsed, following the respective changes in investment manager and, as a result, no performance incentive arrangements have been in place since 2011.

When transferring the management contract to Albion, the Board stated its intention that a performance incentive would not be put to Shareholders for approval until after 2012, by which time Albion would have had time to address the key issues affecting the existing portfolio, to start to reposition the Company, and to demonstrate their ability to the satisfaction of the Board and Shareholders.

The Board's proposal is to set a performance incentive fee arrangement structured as follows:

- The arrangement will apply only when the Company has announced final or half yearly results with an NAV per Share equal to, or greater than, 20 pence. The arrangement will commence on the first day of the year (or half year, if relevant) immediately after the year end (or half year end, if relevant) for which the NAV per Share is equal to, or greater than, 20 pence ("Start Date"). Thus, as an example, if the NAV per Share at 30 June 2013 is equal to, or greater than, 20 pence, then the arrangement will start on the 1 July 2013. Please note this example is purely for illustrative purposes and is not a forecast.
- The Starting NAV per Share for the purpose of the performance incentive fee arrangement will be 20 pence per Share.
- A performance hurdle equal to the greater of the Starting NAV increased by the increase in RPI plus 2 per cent per annum from the Start Date (calculated on a simple and not compound basis) and the highest Total Return for any earlier period after the Start Date (the 'high watermark').
- An annual fee (in respect of each Share in issue) of an amount equal to 15 per cent of the excess of the Total Return (this being NAV per Share plus dividends paid after the Start Date) as at the end of the relevant accounting period over the performance hurdle.
- Albion shall not be entitled to more than one performance incentive fee in relation to the same Total Return.

The Starting NAV of 20 pence per Share compares to the audited NAV per Share as at 31 December 2012 of 18.9 pence. Shareholders have received dividends amounting to 1.67 pence per Share since Albion was appointed as the investment manager of the Company and further dividends may be paid before the NAV reaches 20 pence per Share. Thus, once the NAV per Share has reached the required level of 20 pence per Share, Shareholders in the Company will have seen a cumulative uplift in NAV and dividends (including the 0.5 pence first dividend for the current year which was declared on 15 April 2013) of at least 5.6 pence, this being equal to a 34 per cent increase on the opening NAV per Share as at 1 January 2011, the date when Albion was appointed. The Board believes that this represents a decent start to the recovery for Shareholders.

The hurdle is to be based on RPI plus a margin of 2 per cent per annum from the Start Date, with Albion being paid a 15 per cent share of the Total Return in excess. We believe that RPI is a useful measure for a long-term savings product in a potentially inflation-prone environment. The annual increase in RPI during 2012 was 3.1 per cent which is slightly below the average annual increase in RPI for the 10 years to 2012 of 3.3 per cent. Thus, had the proposed performance incentive fee arrangement been in place whilst RPI was 3.3 per cent, the hurdle rate would have been 5.3 per cent per annum.

Any performance incentive fee will be payable to Albion once the relevant annual report and accounts are approved by Shareholders at an annual general meeting.

If the appointment of Albion as the investment manager to the Company is terminated, the performance incentive fee shall be paid during any notice period but, after the end of such notice period, the arrangements will terminate in full.

Action To Be Taken

Shareholders will find enclosed with this document the form of proxy for use at the Annual General Meeting. Whether or not you propose to attend the Annual General Meeting, you are requested to complete and return the form of proxy so as to be received not less than 48 hours before the time appointed for holding of the Annual General Meeting. Completion and return of a form of proxy will not prevent you from attending and voting in person at the Annual General Meeting, should you wish to do so.

Board's Recommendation and Intention

The Board, which has been so advised by BDO, considers the Related Party Transaction with Albion to be fair and reasonable so far as the Shareholders of the Company are concerned. In providing its advice, BDO has taken into account the Board's commercial assessment of the Related Party Transaction.

Albion is regarded as a related party under the Listing Rules and, therefore, cannot vote on Resolution 10 to be proposed at the Annual General Meeting. Albion will also take all reasonable steps to ensure that its associates (including any partners, members and employees) will also not vote on Resolution 10.

The Board believes that the Proposal and the Resolutions to be proposed at the Annual General Meeting are in the best interests of the Shareholders as a whole and unanimously recommends Shareholders to vote in favour of the Resolutions as they intend to do in respect of their own holdings of 844,070 Shares, representing approximately 0.41 per cent of the total voting rights of the Company.

Yours faithfully

Robin Field
Chairman

APPENDIX 1 – EXPLANATION OF THE RESOLUTIONS

An explanation of the Resolutions to be proposed at the Annual General Meeting is set out below. Resolutions 1 to 6 and 10 will be proposed as ordinary resolutions requiring the approval of more than 50 per cent of the votes cast and Resolutions 7 to 9 will be proposed as special resolutions requiring the approval of 75 per cent or more of the votes cast.

Resolution 1 seeks approval to receive the Directors' Report and audited financial statements for the year ended 31 December 2012 which are included within the Annual Report.

Resolution 2 seeks the approval of the Directors' Remuneration Report which is also included within the Annual Report.

Resolution 3 seeks approval of the re-election of Martin Fiennes who will this year retire by rotation at the Annual General Meeting in accordance with the Articles and, being eligible, is offering himself for re-election.

Resolution 4 will approve the re-appointment of Grant Thornton UK LLP as the Company's auditor.

Resolution 5 will authorise the Directors' to agree Grant Thornton UK LLP's remuneration.

Resolution 6 will authorise the Directors pursuant to section 551 CA 2006 to allot Shares or rights to subscribe for Shares up to an aggregate nominal value of £209,667. This amounts to 20,966,763 Shares representing approximately 10 per cent of the issued Share capital as at 16 April 2013 (this being the latest practicable date prior to the publication of this document). This authority will be used for the purposes set out in Resolution 7. The authority conferred by Resolution 6 will expire at the conclusion of the next annual general meeting of the Company or on the expiry of 18 months from the passing of the resolution, whichever is the first to occur.

Resolution 7 will grant authority to the Directors to allot Shares (i) on a pre-emptive basis to existing Shareholders as far as possible, subject to excluding circumstances where it is impractical to apply the strict pro rating (as further set out in the resolution), (ii) pursuant to any dividend reinvestment scheme and (iii) otherwise allot Shares or rights to subscribe for Shares up to an aggregate nominal value of £209,667 (representing, in accordance with institutional investor guidelines, approximately 10 per cent of the issued Share capital as at 16 April 2013, this being the latest practicable date prior to the publication of this document) as if the pre-emption rights of section 561 of CA 2006 did not apply, in each case where the proceeds may be used in whole or part to purchase existing shares. The authority conferred by Resolution 7 will expire at the conclusion of the next annual general meeting of the Company or on the expiry of 18 months from the passing of the resolution, whichever is the first to occur. The Directors have no immediate plans to make use of the authorities sought pursuant to Resolutions 6 and 7, other than the Company's Dividend Reinvestment Scheme.

Resolution 8 will authorise the Company to make market purchases of up to 31,429,178 Shares (representing approximately 14.99 per cent of the issued Share capital as at 16 April 2013, this being the latest practicable date prior to the publication of this document). The resolution sets out the minimum and maximum prices that can be paid, exclusive of expenses and Shares bought back may be cancelled or held in treasury as may be determined by the Board. The authority conferred by Resolution 8 will expire at the conclusion of the next annual general meeting of the Company or on the expiry of 18 months from the passing of the resolution, whichever is the first to occur. Once held in treasury, such Shares may be sold for cash or cancelled. The Board intends to use this authority to continue to implement its Share buy-back policy.

Resolution 9 will grant Directors the authority to sell treasury shares at the higher of the prevailing current share price and the price at which they were bought in.

Resolution 10 will approve the Related Party Transaction with Albion.

APPENDIX 2 – ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear in section 3 below, accept responsibility for the information contained in this document. To the best of knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Share Capital

- 2.1 As at 16 April 2013 (this being the latest practicable date prior to the publication of this document), the issued share capital of the Company was as follows:

	<i>Issued and fully paid</i>	
	<i>No. of Shares</i>	<i>£</i>
Shares (1 penny)	209,667,635	2,096,676.35

- 2.2 As at 16 April 2013 (this being the latest practicable date prior to the publication of this document), no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option. As at the same date, the Company held 4,242,000 Shares purchased under the share buy-back programme in treasury (representing 2.02 per cent. of the issued share capital).

3. Directors and their Interests

- 3.1 The names and business addresses of the Directors, all of whom are non-executive, are as follows:

- Robin Anthony Field (*Chairman*)
- Thomas William Chambers
- Martin Guy Fiennes
- Alan Peter Mackenzie Lamb

all of 1 King's Arms Yard, London EC2R 7AF (the registered office and principal place of business of the Company).

- 3.2 As at 16 April 2013 (this being the latest practicable date prior to the publication of this document), the interests of the Directors (and their immediate families) in the issued share capital of the Company were as follows:

<i>Director</i>	<i>Shares</i>	<i>% of issued voting share capital</i>
Robin Field	208,993	0.10
Thomas Chambers	383,781	0.19
Martin Fiennes	132,500	0.06
Alan Lamb	118,796	0.06

- 3.3 Aggregate Directors' emoluments for the year ended 31 December 2012 were £70,000 and for the current year are (subject to review by the Board) expected to be £70,000 (excluding applicable employers' National Insurance Contributions). Details of the Directors' appointments are as follows:

<i>Director</i>	<i>Date of appointment*</i>	<i>Annual remuneration**</i>
Robin Field	21 January 2009	£22,500
Thomas Chambers	3 October 2011	£17,500
Martin Fiennes	5 April 2011	£15,000
Alan Lamb	3 October 2011	£15,000

* The Directors' appointments are not subject to notice periods. Their appointments do not confer any rights to hold office for any period nor any rights to compensation if they cease to be Directors. The office of non-executive director is not pensionable.

** Excluding applicable employers' National Insurance Contributions.

- 3.4 There are no potential conflicts of interests between the duties of any Directors and their private interests and/or duties.
- 3.5 Other than disclosed in this paragraph 3, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company in the years ended 31 December 2010, 2011 and 2012 or in the current financial year or which was effected in an earlier financial year and remains in any respect outstanding or unperformed.

4. Substantial Shareholders

As at 16 April 2013 (this being the latest practicable date prior to the publication of this document), the Company is not aware of any person who has, directly or indirectly, an interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules of the FCA, a holding of 3 per cent or more must be notified to the Company).

5. Material Contracts

- 5.1 Save as disclosed in this paragraph 5.1, the Company has not entered, other than in the ordinary course of business, into any contract which is or may be material to the Company within the two years immediately preceding the publication of this document, or entitlement which is material to the Company as at the date of this document:

- 5.1.1 An investment management agreement dated 8 December 2010 between the Company (1) and Albion (2), pursuant to which Albion provides investment management services and administration services to the Company. Albion agreed to waive investment management and administration fees until the end of December 2011, thereafter Albion is entitled to an investment management fee payable quarterly in arrears of an amount equivalent to 2 per cent. per annum (exclusive of VAT, if any) of the NAV of the Company calculated in accordance with the Company's normal accounting policies and an annual administration fee payable quarterly in arrears of £50,000 (exclusive of VAT, if any).

The normal annual running costs of the Company (including investment management and administration fees due to Albion, directors' remuneration, registrars' fees, stockbrokers' fees, company secretarial fees, auditors fees and irrecoverable VAT) will, for accounting periods after 31 December 2011, be capped at an amount equivalent to 3 per cent. of net asset value of the Company, with any excess being paid by Albion or refunded by a reduction to Albion's above management and administration fees.

No performance or incentive fee is payable to Albion for any periods prior to 31 December 2012. The details of the proposed performance incentive arrangement are set out in the Chairman's letter in this document. This agreement will be varied pursuant to the agreement referred to at paragraph 5.2 below.

Albion's appointment is for an initial period expiring on 31 December 2013, subject to immediate termination in the event of (i) a material or persistent breach by Albion or (ii) the Company ceases to be a VCT for tax purposes. Thereafter the appointment is terminable on 12 months' notice (i.e. such notice only being given after 31 December 2013) to be served by either party, subject to earlier termination by either party in the event of, *inter alia*, (i) a party having a receiver, administrator or liquidator appointed or (ii) the Company ceases to be a VCT for tax purposes or (iii) Albion ceases to be authorised by the FCA or (iv) Albion commits an act of fraud.

The agreement contains provisions indemnifying Albion against any liability not due to its default, gross negligence, fraud or breach of the FSMA.

5.1.2 A termination agreement dated 8 December 2010 between the Company (1) and SPARK Venture Management Limited (2) in respect of the termination of the appointment of SPARK Venture Management Limited as the investment manager to the Company. Pursuant to this agreement the Company had agreed to pay SPARK Venture Management Limited its management and administration fee under its investment management agreement for the period until 30 November 2011 (calculated by reference to the net asset value of the Company as at 31 December 2010, subject to appropriate adjustments in respect of dividends or realisations made during the period until 30 November 2011). The arrangements under the termination agreement are in full and final settlement of any claims between the parties in respect of the original appointment of SPARK Venture Management Limited as the investment manager to the Company.

5.1.3 A letter of engagement dated 24 May 2011 between the Company and Brewin Dolphin, pursuant to which Brewin Dolphin acted as sponsor to the Company for the purposes of the Merger.

5.1.4 A transfer agreement dated 30 September 2011 between the Company and KAY 2 (acting through the Liquidators) pursuant to which all of the assets and liabilities of KAY 2 were transferred to the Company in consideration for New Shares in accordance with the terms of the Merger. The Liquidators agreed under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of KAY 2 will be transferred on receipt to the Company as part of the Scheme.

5.1.5 An indemnity dated 30 September 2011 from the Company to the Liquidators pursuant to which the Company has indemnified the Liquidators for expenses and costs incurred by them in connection with the Merger. A liquidation fee was agreed (including an amount representing contingency) and taken into account in the merger calculations.

5.2 The following contract will, subject to non-material amendments, be entered into subject to the approval by Shareholders of Resolution 10 to be proposed at the Annual General Meeting:

A deed of variation between the Company (1) and Albion (2) pursuant to which the investment management agreement referred to at paragraph 5.1 above will be amended to provide for the performance incentive fee arrangements as more particularly detailed in the Chairman's letter in this document.

6. Albion

6.1 The Company's investment manager is Albion Ventures LLP. Albion (telephone 020 7601 1850), was incorporated and registered in England and Wales on 6 November 2008 as a limited liability partnership with registered number OC341254. Albion's registered office and principal place of business is at 1 King's Arms Yard, London EC2R 7AF. Albion is authorised and regulated by the FCA to provide investment management services. The principal legislation under which Albion operates is the provisions of the Limited Liability Partnership Act 2000 and CA 2006 (and regulations made thereunder).

6.2 Albion is one of the largest independent venture capital investors in the UK, managing approximately £230 million across seven VCTs. In January 2009, Albion acquired the business of Close Ventures Limited from Close Brothers Group PLC. Albion is structured as a partnership formed by the former Close Ventures management team. Albion has an experienced team of 25 who have been managing VCTs since 1996 and who aim to create a leading investment performance for shareholders in the

VCTs that they manage. Their funds are designed to provide a steady level of income and in the seventeen years since the first fund was launched, a dividend has been paid to shareholders every year.

7. General

- 7.1 The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 18 December 1995, with registered number 03139019 and the name Quester VCT PLC. The Company changed its name to SPARK VCT PLC on 23 July 2008 and to Kings Arms Yard VCT PLC on 11 February 2011. The principal legislation under which the Company operates is CA 2006 (and regulations made thereunder). The legal and commercial name of the Company is Kings Arms Yard VCT PLC. The Company is domiciled in England. The Company is not regulated by the FCA or an equivalent European Economic Area regulator, but it is subject to regulation by HMRC under the VCT rules in order to qualify as a VCT.
- 7.2 Save for Quester VCT 2 PLC and Quester VCT 3 PLC, which became wholly-owned subsidiaries of the Company for a short period in June 2005 following their respective mergers with the Company pursuant to Section 425 of CA 1985 (now Section 895 of CA 2006), the Company does not have, nor has it had since incorporation, any subsidiaries or employees.
- 7.3 Statutory accounts of the Company for the years ended 31 December 2010, 2011 and 2012 in respect of which the Company's auditors, Grant Thornton UK LLP, have made unqualified reports under section 495 of CA 2006 have been delivered to the Registrar of Companies and such reports did not contain any statements under sections 495 to 497A of CA 2006.
- 7.4 Save for the fees paid to the Directors as detailed in paragraph 3.3 above, the fees paid under the arrangements set out at paragraphs 5.1.1 and 5.1.2 above of £nil during the years ended 31 December 2010 and 2011 and £751,000 in the year to 31 December 2012 (in respect of Albion) and of £480,000 in the year to 31 December 2010, £506,000 in the year to 31 December 2011 and £nil for the year ended 31 December 2012 (in respect of SPARK Venture Management Limited as the former investment manager of the Company), there were no related party transactions or fees paid by the Company during the years ended 31 December 2010, 2011 and 2012 or to the date of this document in the current financial year.
- 7.5 There has been no significant change in the financial or trading position of the Company since 31 December 2012, the date to which the Annual Report is made up, to the date of this document.
- 7.6 There are no governmental, legal or arbitration proceedings (including any such proceedings which are or were pending or threatened of which the Company is aware) at any time in the 12 months immediately preceding the date of the document which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.
- 7.7 BDO has given and not withdrawn its written consent to the issue of this document and the inclusion of its name and references to it in this document in the form and context in which they appear.

8. Documents Available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sunday and public holidays excepted) from the date of this document until the conclusion of the Annual General Meeting at the registered office of the Company:

- 8.1 the memorandum and articles of association of the Company;
- 8.2 the audited report and accounts of the Company for the financial years ended 31 December 2010, 2011 and 2012;
- 8.3 the material contracts referred to in paragraph 5 above;
- 8.4 the consent referred to in paragraph 7.7 above;
- 8.5 this document.

KINGS ARMS YARD VCT PLC

(Registered in England and Wales with registered number 03139019)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Kings Arms Yard VCT PLC ("the Company") will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS on 24 May 2013 at 11.00 a.m. for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 6 and 10 will be proposed as ordinary resolutions and numbers 7 to 9 as special resolutions.

Ordinary Business

- 1. To receive and adopt the Company's accounts for the year ended 31 December 2012 together with the report of the directors and auditor thereon.**
- 2. To approve the directors' remuneration report for the year ended 31 December 2012.**
- 3. To re-elect Mr Martin Fiennes as a director of the Company.**
- 4. To re-appoint Grant Thornton UK LLP as auditor of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.**
- 5. To authorise the directors to agree the auditor's remuneration.**

Special Business

6. Authority to allot shares

That the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 ("the Act") to allot ordinary shares of 1 penny each in the capital of Company, up to a maximum aggregate nominal amount of £209,667, provided that this authority shall expire 18 months from the date that this resolution is passed, or, if earlier, the conclusion of the next annual general meeting of the Company, but so that the Company may, before the expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if the authority had not expired.

7. Authority for the disapplication of pre-emption rights

That, subject to and conditional on the passing of resolution number 6, the directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 6 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) in connection with an offer of such securities by way of rights issue;
- (b) pursuant to any dividend reinvestment scheme introduced or operated by the Company; and
- (c) otherwise than pursuant to paragraphs (a) and (b) above, up to an aggregate nominal amount of £209,667

in each case, where the proceeds may be used in whole or part to purchase shares, and that this authority shall expire 18 months from the date that this resolution is passed or, if earlier, the conclusion of the next annual general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

In this resolution, “rights issue” means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory.

This power applies in relation to a sale of treasury shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of the resolution the words “subject to and conditional on the passing of Resolution number 6” were omitted in relation to such a sale.

8. Authority to purchase own shares

That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 1 penny each in the capital of the Company, on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 727 of the Act, provided that:

- (a) the maximum aggregate number of shares hereby authorised to be purchased is 31,429,178;
- (b) the minimum price, exclusive of any expenses, which may be paid for a share shall be 1 penny;
- (c) the maximum price, exclusive of any expenses, which may be paid for a share shall be an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for the share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the date on which the share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (d) the authority hereby conferred shall, unless previously revoked or varied, expire 18 months from the date that this resolution is passed or, if earlier, at the conclusion of the next annual general meeting; and
- (e) the Company may make a contract or contracts to purchase shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

Under sections 724-732 of the Act, shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 8 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Act.

9. Authority to sell treasury shares

That the directors be empowered to sell treasury shares at the higher of the prevailing current share price and the price at which they were bought in at.

10. That the Related Party Transaction (as defined, and details of which are set out, in the circular to shareholders dated 17 April 2013) with Albion Ventures LLP be and hereby is approved.

By order of the Board

Albion Ventures LLP
Company Secretary
17 April 2013

Registered office:

1 King's Arms Yard
London
EC2R 7AF

Notes

1. Members entitled to attend, speak and vote at the Annual General Meeting may appoint a proxy or proxies (who need not be a member of the Company) to exercise these rights in their place at the meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. Proxies may only be appointed by:
 - completing and returning the form of proxy enclosed with this Notice to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY;
 - going to www.eproxyappointment.com and following the instructions provided there; or
 - by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

Return of the form of proxy will not preclude a member from attending the meeting and voting in person. A member may not use any electronic address provided in the notice of the Annual General Meeting to communicate with the Company for any purposes other than those expressly stated.

To be effective the form of proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 11.00 am on 22 May 2013.

In accordance with good governance practice, the Company is offering shareholders use of an online service, offered by the Company's registrar, Computershare Investor Services PLC, at www.eproxyappointment.com. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 11.00 am on 22 May 2013 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders will need to use the unique personal Holder ID that is printed in their form of proxy. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 ("the Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 5.00 pm on 22 May 2013 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 11.00 am on 22 May 2013.

For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of

instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. Copies of contracts of service and letters of appointment between the directors and the Company will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the conclusion of the Annual General Meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the articles of association of the Company will be available for inspection at the Company's registered office from the date of this notice until the conclusion of the Annual General Meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.
7. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
8. A copy of this notice, and other information regarding the Annual General Meeting, as required by section 311A of the Act, is available from www.albionventures.co.uk under the "Our Funds" section.
9. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting, but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
10. As at 16 April 2013 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital and voting rights comprised 209,667,635 ordinary shares which includes 4,242,000 ordinary shares held in treasury. Therefore, the total voting rights in the Company as at 16 April 2013 was 205,425,635 ordinary shares.

