

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 (FSMA).

If you have sold or otherwise transferred all of your Shares in Albion Venture Capital Trust PLC (the Company), please send this document and accompanying documents, 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.

This document, which comprises a prospectus relating to the Company dated 27 July 2012, has been prepared in accordance with the prospectus rules made under Part VI of FSMA.

The Company, the Directors and the Proposed Director, whose names appear on pages 24 and 25 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Company, the Directors and the Proposed Director (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.

BDO LLP, which is authorised and regulated in the United Kingdom by the FSA, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of BDO LLP (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) in providing advice or in relation to 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 Albion Prime VCT PLC 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.

ALBION VENTURE CAPITAL TRUST PLC

(Registered in England and Wales with registered number 03142609)

Prospectus

**relating to the issue of up to 25 million New Shares
in connection with the acquisition of the assets and liabilities of**

Albion Prime VCT PLC

The existing Shares issued by the Company are listed on the premium segment of the Official List of the UKLA and traded on the London Stock Exchange's main market for listed securities. Application has also been made to the UKLA for the New Shares to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading in the New Shares will commence within three days of the allotment of such New Shares. The New Shares will rank *pari passu* with the existing issued Shares from the date of issue.

The attention of Shareholders of the Company who are resident in, or citizens of, territories outside the United Kingdom is drawn to the information under the heading "Overseas Shareholders" in paragraph 5 of Part IX of this document. In particular, the New Shares to be issued pursuant to the Scheme have not and will not be registered under the United States Securities Act 1933 or the United States Investment Company Act 1990.

Persons receiving this document should carefully consider the risk factors on pages 9 to 11 of this document.

CONTENTS

SUMMARY		3
RISK FACTORS		9
EXPECTED TIMETABLES		12
CORPORATE INFORMATION		13
DEFINITIONS		14
PART I	MERGER OF THE COMPANY AND PRIME	17
PART II	INFORMATION ON THE COMPANY	23
PART III	THE INVESTMENT MANAGER	30
PART IV	FINANCIAL INFORMATION ON THE COMPANY AND PRIME	32
PART V	PRO FORMA FINANCIAL INFORMATION	34
PART VI	INVESTMENT PORTFOLIOS AND THE PRINCIPAL INVESTMENTS OF THE COMPANY AND PRIME	37
PART VII	TAX POSITION OF SHAREHOLDERS	42
PART VIII	TAX POSITION OF THE COMPANY	43
PART IX	ADDITIONAL INFORMATION	45

SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A to E.

This summary contains all of the Elements required to be included in a summary for the type of shares being issued pursuant to this Prospectus and the Company being a closed-ended investment fund. Some of the Elements are not required to be addressed and, as a result, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in this summary, it is possible that no relevant information can be given regarding that Element. In these instances, a short description of the Element is included, together with an appropriate 'Not applicable' statement.

A

Introduction and Warnings

This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities of the Company should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

B

Issuer

B1 Legal and commercial name

Albion Venture Capital Trust PLC ("the Company").

B2 Domicile/ Legal form/ Legislation/ Country of incorporation

The Company is a public limited liability company which is registered in England and Wales with registered number 03142609. The principal legislation under which the Company operates is CA 2006 (and regulations made thereunder).

B5 Group

Not applicable. The Company is not part of a group.

B6 Material Shareholders/ Differing voting rights/Control

As at 26 July 2012 (this being the latest practicable date prior to the publication of this document), J M Finn Nominees held 2,159,003 Shares (representing approximately 5.82 per cent. of the Company's total voting rights and 5.35 per cent. of the Company's issued share capital (including Shares held in treasury)). All Shareholders have the same voting rights in respect of the existing share capital of the Company. Based on the merger illustrations at 31 March 2012, it is expected that J M Finn Nominees will hold 2,159,003 Shares and Pershing Nominees Limited will hold 2,005,728 Shares following completion of the merger, representing 3.82 per cent. and 3.55 per cent. (respectively) of the expected total voting rights of the Enlarged Company. Save as set out above, the Company is not aware of any person who, directly or indirectly, has or will have an interest in the capital of the Company or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and Disclosure and Transparency Rules of the FSA, a holding of 3 per cent. or more will be notified to the Company).

B7 Selected financial information

Certain selected historical financial information on the Company is set out below:

	<i>Audited year ended 31 March (£'000)</i>		
	<i>2012</i>	<i>2011</i>	<i>2010</i>
Investment Income and deposit interest	1,314	1,300	1,330
Total profit/(loss) on ordinary activities before taxation	815	1,187	287
Total net asset value return per share (pence)			
<i>Ordinary Shares</i>	197.80	195.30	191.40
<i>Former C Shares*</i>	186.25	183.75	179.85
Dividends paid per share (pence)**	5.0	5.0	5.0
Net assets	28,386	28,761	28,400
NAV per share (pence)	78.0	80.50	81.62

* The C Shares merged with the Ordinary Shares on an equal basis in 2000.

**In addition to the total dividends paid in the table above the Board has declared a first interim dividend for the current financial year of 2.5 pence per Share to be paid on 31 July 2012 to Shareholders on the register on 6 July 2012.

There has been no significant change in the financial or trading position of the Company since 31 March 2012, the date to which the Annual Report was made up to, to the date of this document.

B8 Pro forma financial information

The Enlarged Company is expected to have net assets of over £40 million (assuming the Merger is completed based on the NAVs of the Companies as at 31 March 2012).

This pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

B9 Profit forecast

Not applicable. There are no profit forecasts in the Prospectus.

B10 Auditor report

Not applicable. There is no audit report in the Prospectus.

B11 Insufficient working capital

Not applicable. The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

B34 Investment objective and policy

The Company's investment strategy is to reduce risk normally associated with investments in smaller, unquoted companies whilst maintaining an attractive yield, through allowing investors the opportunity to participate in a balanced portfolio of asset-backed businesses. Albion VCT's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term.

This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- the Company invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the investee company. Funds managed or advised by Albion typically own 50 per cent. of the equity of the investee company; and
- other than the loan stock issued to funds managed or advised by Albion, investee companies do not normally have external borrowings.

<i>B35 Borrowings</i>	The Articles restrict borrowings to 10 per cent. of the adjusted capital and reserves as defined therein; the current policy however is that the Company will not borrow.
<i>B36 Regulatory status</i>	The Company is not authorised and/or regulated by the FSA or an equivalent overseas regulator. The Company is, however, subject to the provisions of the Companies Acts and UK law generally, its Shares are listed on the premium segment of the Official List and, as a qualifying VCT, it is subject to regulation by HMRC in order to retain such a status.
<i>B37 Typical investor</i>	The typical investor for whom investment in the Company is designed is an individual retail investor aged 18 or over who is resident and a tax payer in the UK.
<i>B38 Material B39 investments</i>	Save for its investment in Kew Green VCT (Stansted) Limited which represented 20.3 per cent. of the Company's gross assets at 31 March 2012, the Company does not have any investments which represent more than 20 per cent. or 40 per cent. of its gross assets.
<i>B40 Management and incentive fees</i>	<p>Albion is entitled to an annual investment management fee of an amount equivalent to 2 per cent. of the net assets of the Company and an annual administration fee which amounted to £43,528 for the year ended 31 March 2012 and is increased annually by RPI (in each case 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, fees of the Company's auditors and irrecoverable VAT) are capped at an amount equivalent to 3.5 per cent. of net asset value of the Company, with any excess being paid by Albion or refunded by a reduction in Albion's management and administration fees. Albion's appointment is terminable on 12 months' notice.</p> <p>Albion is entitled to an annual performance incentive fee of an amount equal to 8 per cent. of any excess above a total return (representing dividends paid and growth in net asset value) of 5 per cent. per annum, paid annually in cash. Any shortfall of the total return in one year will be carried forward into subsequent periods and the incentive fee will only be paid once all previous and current total returns have been met.</p> <p>Albion will continue to provide investment management services to the Enlarged Company following the merger on the same basis as is currently in place with the Company, except that, the Company and Albion have agreed that the management fee will be reduced from the Effective Date to an amount equivalent to 1.9 per cent. of the Company's net assets. The administration and performance incentive arrangements currently in place with the Company shall continue unchanged for the Enlarged Company and will automatically cover the enlarged assets and New Shares issued.</p>
<i>B41 Albion</i>	Albion is the investment manager of the Company and also provides administration, secretarial and custodian services, Albion is registered in England and Wales as a limited liability partnership under number OC341254. Albion is authorised and regulated by the Financial Services Authority, with registered number 492536.
<i>B42 Valuation policy</i>	The Company's net asset value is calculated every quarter and published on an appropriate regulatory information service. If for any reason valuations are suspended, Shareholders will be notified in a similar manner.
<i>B43 Umbrella collective investment scheme</i>	Not applicable. The Company is not part of an umbrella collective investment scheme.
<i>B44 Commenced operations</i>	Not applicable. The Company has commenced operations and published financial statements.

B45 Portfolio Pursuant to its investment policy, the Company invests in a balanced portfolio of asset-backed businesses in order to provide a balance between income and capital growth for the longer term. As at 31 March 2012, the Company had, in aggregate, venture capital investments in 31 companies with a carrying value of £25.9 million.

B46 NAV As at 31 March 2012, the Company had audited net assets of £28.4 million (78.0 pence per Share).

C Securities

C1 Description and class of securities The securities being offered pursuant to the Scheme are ordinary shares of 50p each ("New Shares") (ISIN: GB0002039625).

C2 Currency The Company's share capital comprises ordinary shares of 50p each.

C3 Shares in issue 40,348,003 Shares are in issue at the date of this document (all fully paid up), of which 3,277,373 are held in treasury.

C4 Rights Each New Share will be:

- entitled *pari passu* to dividends and other distributions (on a winding-up or otherwise)
- entitled to one vote
- freely transferable (subject to certain restrictions in the Articles)

C5 Restrictions on transfer The New Shares will be listed on the premium segment of the Official List and as, a result, will be freely transferable.

C6 Admission Application has been made to the UK Listing Authority for the New Shares to be listed on the Official List and will be made to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is anticipated that dealings in the New Shares will commence within 3 business days following allotment.

C7 Dividend policy The current annual dividend target is 5 pence per Share per annum, which was achieved in the year ended 31 March 2012 and is consistent with the first interim dividend recently declared for the current year ending 31 March 2013. Assuming a Merger Ratio of 0.8823, a Prime Shareholder is expected to receive 4.4 pence per share in respect of his New Shares in the future, compared to 3 pence per Prime Share currently.

D Risks

An investment in the Company is subject to a number of risks, which could materially and adversely affect its value and a summary of the material risks is set out below:

Scheme related risk factors

- Completion of the Scheme is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders.
- Shareholders may be adversely affected by the performance of the investments, whether acquired from Prime or made by the Company, which may restrict the ability of the Company following the merger to distribute any capital gains and revenue received on the investments transferred from Prime to the Company (as well as the investments of the Company).
- Shareholders may be adversely affected by a change in the VCT status of the Company if a number of the investments acquired from Prime, or the investments of the Company, are or become unable to meet VCT requirements.

General risk factors

- The value of Shares, and the income from them, can fluctuate and Shareholders may not get back the amount they invested.
- Although the existing Shares have been (and it is anticipated that the New Shares to be issued pursuant to the Scheme will be) admitted to the premium segment of the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.
- The past performance of the Company, Prime and/or Albion is no indication of future performance.
- Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List which could result in the value of such investment, and interest income and dividends therefrom, reducing.
- Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in Shareholders losing the tax reliefs available for VCT shares, resulting in adverse tax consequences.
- If a Shareholder disposes of his or her Shares within five years of issue, he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. Any realised losses on the disposal of Shares cannot be used to create an allowable loss for capital gains tax purposes.
- If a Shareholder disposes of his or her Shares, he or she will be liable to pay any capital gains tax for which such Shareholder obtained deferral relief on subscription
- The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively which may affect tax reliefs obtained by Shareholders and the VCT status of the Company.

E

E1 Net proceeds

Offer

If effected, the merger will result in an Enlarged Company with total net assets of over £40 million (after expected Merger costs of approximately £230,000). The merger will not, however, result in any proceeds actually being raised by the Company.

E2a Reasons for the offer

The Board considers that this merger will bring a number of benefits to both groups of shareholders through:

- the creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration, regulatory and management costs;
- a reduction in annual running costs for the Enlarged Company compared to the total annual running costs of the separate companies;
- amalgamation of the Companies' portfolios, which are substantially the same, for efficient management and administration;
- participation in a larger VCT with the longer term potential for a more diversified portfolio thereby spreading the portfolio risk across a broader range of investments; and

	<ul style="list-style-type: none"> ● enhancing the ability of the Enlarged Company to raise new funds, as well as pay dividends and support buy backs in the future.
<i>E3 Terms and conditions of the Offer</i>	<p>The Scheme will be effected by Prime being placed into members' voluntary liquidation and by all of its assets and liabilities being transferred to the Company in consideration for New Shares being issued directly to Prime Shareholders. The merger will be completed on a relative net asset value basis with the benefits being shared by both sets of shareholders, with the costs split proportionately based on the merger NAVs.</p> <p>The Scheme is conditional upon:</p> <ul style="list-style-type: none"> ● the passing of the Continuation Resolutions to be proposed at the Annual General Meeting and Prime Annual General Meeting respectively; ● the passing of Resolution 1 to be proposed at the General Meeting; ● notice of dissent not having been received from Prime Shareholders holding more than 10 per cent. in nominal value of Prime's issued share capital under Section 111, IA 1986 (this condition may be waived by the Prime Board); and ● the passing of the resolutions to be proposed at the Prime Meetings.
<i>E4 Substantial shareholders</i>	Not applicable. No interest is material to the merger.
<i>E5 Selling securities</i>	Not applicable. No entity is selling securities in the Company.
<i>E6 Dilution</i>	Had the Scheme been implemented on 31 March 2012, being the latest practicable date before the date of publication of this document, based on the relative audited net asset values of the Company and Prime as at that day (and taking into account the interim dividends declared by the Companies for the current year ending 31 March 2013 and any buybacks and issues of shares in either of the Companies between 31 March 2012 and 16 July 2012), 19,378,681 New Shares would have been issued to Prime Shareholders credited as fully paid up representing 48.03 per cent. of the issued share capital of the Company.
<i>E7 Expenses</i>	The aggregate anticipated cost of undertaking the merger is approximately £230,000. The boards of the Companies have agreed that the costs of the merger will be split proportionately between the Companies by reference to their respective merger net assets (ignoring merger costs).

RISK FACTORS

Shareholders and prospective Shareholders should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's business, financial condition or results of operations. The risks and uncertainties described below (such as changes in legal, regulatory or tax requirements) are not the only ones the Company or Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's business, financial condition or results of operations. The value of the Shares could decline due to any of the risk factors described below and Shareholders could lose part or all of their investment. Shareholders and prospective Shareholders should consult an independent financial adviser authorised under FSMA. References to the Company should be taken as including the Enlarged Company.

Scheme related risk factors

Completion of the Scheme is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders. Whilst the Board has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company. If the merger is not approved and effected, the benefits of the merger will not be realised.

Shareholders may be adversely affected by the performance of the investments, whether acquired from Prime or made by the Company. The performance of the investments acquired from Prime, as well as the investments of the Company, may restrict the ability of the Company following the merger to distribute any capital gains and revenue received on the investments transferred from Prime to the Company (as well as the investments of the Company). Any gains (or losses) made on the investments of the Company will, following the Scheme, be shared amongst all Shareholders *pro rata* to the number of Shares held.

Shareholders may be adversely affected by a change in the VCT status of the Company if a number of the investments acquired from Prime, or the investments of the Company, are, or become, unable to meet VCT requirements.

Enlarged Company risk factors

The value of Shares in the Enlarged Company, and the income from them, can fluctuate and Shareholders in the Enlarged Company may not get back the amount they invested. In addition, there is no certainty that the market price of Shares in the Enlarged Company will fully reflect their underlying NAV nor that any dividends will be paid. Shareholders in the Enlarged Company should not rely upon any share buyback policy to offer any certainty of selling their Shares in the Enlarged Company at prices that reflect the underlying NAV.

Although the existing Shares have been (and it is anticipated that the New Shares in the Enlarged Company to be issued pursuant to the Scheme will be) admitted to the premium segment of the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares generally bought in the secondary market and because VCT shares usually trade at a discount to NAV) and Shareholders in the Enlarged Company may find it difficult to realise their investment. An investment in the Enlarged Company should, therefore, be considered as a long-term investment.

There is no guarantee the Enlarged Company will meet its objectives. The past performance of the Company, Prime and/or Albion is no indication of future performance of the Enlarged Company. The return received by Shareholders in the Enlarged Company will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall and Shareholders in the Enlarged Company may not get back the full amount invested when sold.

Although the Enlarged Company may receive customary venture capital rights in connection with some of its unquoted investments, as a minority investor it may not be in a position fully to protect its interests.

The Company's investments are, and the Enlarged Company's will generally be, in companies whose securities are not publicly traded or freely marketed and may, therefore, be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Enlarged Company.

It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Enlarged Company invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.

Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List which could result in the value of such investment, and interest income and dividends therefrom, reducing. In particular, small companies often have limited financial resources and may be dependent for their management on a small number of key individuals and may not produce the hoped-for returns. In addition, the market in smaller companies is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such companies. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.

The success of some investments may be based on the ability of investee companies to establish, protect and enforce intellectual property rights, those rights being broad enough to protect proprietary interests and the rights not infringing third party patents.

The leisure sector, where a number of the Enlarged Company's asset-based investments may be made, is sensitive to any further down turn in the economic environment which may impact on the success of investments.

A charge given to the Enlarged Company over an asset will not always provide full capital protection for an investment. The Enlarged Company may not, therefore, recover the full amount invested in any one investee company.

Whilst it is the intention of the Board that the Enlarged Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in the Shareholders in the Enlarged Company losing the tax reliefs available for VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should the Enlarged Company lose its VCT status, dividends and gains arising on the disposal of Shares in the Enlarged Company would become subject to tax and the Enlarged Company would also lose its exemption from corporation tax on its capital gains.

Any change of governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of the Enlarged Company and/or the performance of the Enlarged Company and the value of and returns from Shares and/or their ability to achieve or maintain VCT status.

If a Shareholder in the Enlarged Company disposes of his or her Shares in the Enlarged Company within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. For these purposes, the date of issue of the New Shares in the Enlarged Company issued pursuant to the Scheme will be the original date of issue of the Prime Shares in respect of which such New Shares in the Enlarged Company are issued. Any realised losses on the disposal of Shares in the Enlarged Company cannot be used to create an allowable loss for capital gains tax purposes.

If a Shareholder disposes of his or her Shares (or New Shares as the case may be), he or she will be liable to pay any capital gains tax for which such Shareholder obtained deferral relief on subscription.

If at any time VCT status is lost for the Enlarged Company, dealings in its Shares will normally be suspended until such time as proposals to continue as a VCT or to be wound-up have been announced.

The tax rules, or their interpretation, in relation to an investment in the Enlarged Company and/or the rates of tax may change during the life of the Enlarged Company and may apply retrospectively which may affect tax reliefs obtained by Shareholders in the Enlarged Company and the VCT status of the Enlarged Company.

Any purchaser of existing Shares in the Enlarged Company in the secondary market will not qualify for the then (if any) available tax reliefs afforded to subscribers of new VCT shares on the amount invested.

EXPECTED TIMETABLES

EXPECTED TIMETABLE FOR THE COMPANY

Latest time for receipt of forms of proxy for the General Meeting	12.00 noon on 15 September 2012
Annual General Meeting	11.00 a.m. on 17 September 2012
General Meeting	12.00 noon on 17 September 2012
Calculation Date	after 5.00 p.m. on 24 September 2012
Effective Date for the transfer of the assets and liabilities of Prime to the Company and the issue of New Shares pursuant to the Scheme*	25 September 2012
Announcement of the results of the Scheme	25 September 2012
Admission of and dealings in New Shares issued pursuant to the Scheme to commence	26 September 2012
CREST accounts credited with New Shares issued pursuant to the Scheme	26 September 2012
Certificates for New Shares issued pursuant to the Scheme dispatched	3 October 2012
Expected completion of the cancellation of share capital and reserves	end of November 2012
(*this will, therefore, be the final expected date of trading of the Prime Shares)	

EXPECTED TIMETABLE FOR PRIME

Date from which it is advised that dealings in Prime Shares should only be for cash settlement and immediate delivery of documents of title	7 September 2012
Latest time for receipt of forms of proxy for the Prime First General Meeting	3.30 p.m. on 15 September 2012
Prime Annual General Meeting	2.30 p.m. on 17 September 2012
Prime First General Meeting	3.30 p.m. on 17 September 2012
Latest time for receipt of forms of proxy for the Prime Second General Meeting	10.30 a.m. on 23 September 2012
Prime Register of Members closed	24 September 2012
Record Date for Prime Shareholders' entitlements under the Scheme	5.00 p.m. on 24 September 2012
Calculation Date	after 5.00 p.m. on 24 September 2012
Dealings in Prime Shares suspended	7.30 a.m. on 25 September 2012
Prime Second General Meeting	10.30 a.m. on 25 September 2012
Effective Date for the transfer of the assets and liabilities of Prime to the Company and the issue of New Shares pursuant to Scheme*	25 September 2012
Announcement of the results of the Scheme	25 September 2012
Cancellation of the Prime Shares' listing	8.00 a.m. on 24 October 2012

(*see the timetable for the Company with regard to admission, CREST accounts being credited and certificates being dispatched)

CORPORATE INFORMATION

Directors	David Watkins MBA Harvard (<i>Chairman</i>) John Kerr ACMA Jonathan Rounce FCA, FIH Jeffrey Warren ACCA (<i>all of the registered office</i>)
Registered Office	1 King's Arms Yard London EC2R 7AF Telephone: 020 7601 1850 Website: www.albion-ventures.co.uk
Company Number	03142609
Investment Manager, Administrator and Company Secretary	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF
Solicitors	SGH Martineau LLP No. 1 Colmore Square Birmingham B4 6AA
Sponsor	BDO LLP 125 Colmore Row Birmingham B3 3SD
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Reporting Accountant	Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Auditor	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP

DEFINITIONS

“Albion”	Albion Ventures LLP, the investment manager of the Company and Prime, of 1 King’s Arms Yard, London EC2R 7AF
“Annual General Meeting”	the annual general meeting of the Company for the year ended 31 March 2012 to be held on 17 September 2012
“Annual Report”	the annual report of the Company for the 12 month period ended 31 March 2012
“Articles”	the articles of association of the Company, as amended from time to time
“BDO”	BDO LLP, which is recognised and regulated by the FSA, is a UKLA registered sponsor and is a member of the London Stock Exchange
“Board”	the board of directors of the Company
“CA 1985”	Companies Act 1985, as amended from time to time
“CA 2006”	Companies Act 2006, as amended from time to time
“Calculation Date”	the date on which the Roll-Over Value and the Merger Value will be calculated, anticipated as being after the close of business on 24 September 2012
“Circular”	the circular to Shareholders dated 27 July 2012
“Companies”	the Company and Prime
“Companies Acts”	CA 1985 and CA 2006
“Company” or “Albion VCT”	Albion Venture Capital Trust PLC
“Computershare”	a trading name for Computershare Investor Services PLC
“Continuation Resolutions”	resolution 7 to be proposed at the Annual General Meeting of the Company to approve the extension of the life of the Company as a VCT and resolution 8 to be proposed at the Prime Annual General Meeting to approve the extension of the life of Prime as a VCT
“Directors”	the directors of the Company (and each a “Director”)
“Disclosure & Transparency Rules”	the disclosure and transparency rules of the FSA
“EEA States”	the member states of the European Economic Area
“Effective Date”	the date on which the Scheme will be completed, anticipated as being 25 September 2012
“Enlarged Company”	the Company, following implementation of the Scheme
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company to be held on 17 September 2012

“HMRC”	Her Majesty’s Revenue & Customs
“IA 1986”	Insolvency Act 1986, as amended
“IPEVC Guidelines”	the International Private Equity and Venture Capital Guidelines
“ITA 2007”	Income Tax Act 2007, as amended
“Liquidators”	William Duncan and Sarah Louise Burge of RSM Tenon Limited, 2 Wellington Place, Leeds LS1 4AP, being the proposed liquidators for Prime
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange PLC
“Merger Ratio”	the Roll-Over Value divided by the Merger Value
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Value”	the value of a Share calculated in accordance with the formula set out on page 19 of Part I of this document
“NAV” or “net asset value”	net asset value
“New Shares”	the Shares with ISIN GB0002039625 to be issued by the Company to Prime Shareholders in accordance with the Scheme (and each a “New Share”)
“Official List”	the official list of the UKLA
“Prime”	Albion Prime VCT PLC, registered in England and Wales under number 03265074, whose registered office is at 1 King’s Arms Yard, London EC2R 7AF
“Prime Annual General Meeting”	the annual general meeting of Prime to be held on 17 September 2012
“Prime Annual Report”	the audited annual report of Prime for the 12 month period ended 31 March 2012
“Prime Board”	the board of directors of Prime
“Prime Circular”	the circular to Prime Shareholders dated 27 July 2012
“Prime First General Meeting”	the general meeting of Prime to be held on 17 September 2012
“Prime Meetings”	the Prime First General Meeting and the Prime Second General Meeting
“Prime Second General Meeting”	the general meeting of Prime to be held on 25 September 2012
“Prime Shareholders”	holders of Prime Shares (and each a “Prime Shareholder”)
“Prime Shares”	ordinary shares of 1 penny each in the capital of Prime (and each a “Prime Share”)
“Proposed Director”	Ebbe Dinesen
“Prospectus”	this document

“Prospectus Rules”	the prospectus rules of the UKLA
“Qualifying Company”	a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
“Record Date”	the record date to which entitlements will be allocated pursuant to the Scheme, anticipated as being 24 September 2012
“Resolutions”	the resolutions set out in the Circular to be proposed at the General Meeting (and each a “Resolution”)
“Roll-Over Value”	the value of a Prime Share calculated in accordance with the formula set out on page 19 of Part I of this document
“RPI”	Retail Price Index
“Scheme”	the proposed merger of the Company with Prime by means of placing Prime into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of Prime’s assets and liabilities in consideration for New Shares, further details of which are set out in Part I of this document
“Shareholders”	holders of Shares (and each a “Shareholder”)
“Shares”	ordinary shares of 50 pence each in the capital of the Company (and each a “Share”)
“Statutes”	means every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies insofar as it applies (as may be applicable)
“TCGA 1992”	Taxation of Chargeable Gains Act 1992, as amended
“Transfer Agreement”	the agreement between the Company and Prime (acting through the Liquidators) for the transfer of all of the assets and liabilities of Prime by the Liquidators to the Company pursuant to the Scheme
“UK”	the United Kingdom
“UKLA” or “UK Listing Authority”	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“VCT” or “venture capital trust”	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts
“VCT Value”	the value of an investment calculated in accordance with Section 279 of ITA 2007

PART I

MERGER OF THE COMPANY AND PRIME

Introduction

The Board considers that the interests of the shareholders of the Company and Prime will be better served by a single, larger VCT. The most cost-effective way to achieve this is for the Company to complete a merger with Prime by placing Prime into members' voluntary liquidation and for all of its assets and liabilities to be transferred to the Company in exchange for the issue of New Shares to holders of Prime Shares. The New Shares to be issued pursuant to the Scheme are not being offered to the existing Shareholders of the Company or the public save as may be the case in connection with the Scheme.

Background

VCTs are required to be listed on the premium segment of the Official List, which involves a significant level of listing costs as well as related fees to ensure they comply with all relevant legislation. A larger VCT should be better placed to spread such running costs across a larger asset base and, as a result, may be able to maximise investment opportunities and pay a higher level of dividends to shareholders over its life.

In September 2004, the Merger Regulations were introduced allowing VCTs to be acquired by, or merge with, each other without prejudicing the VCT tax reliefs obtained by their shareholders. A number of VCTs (including other VCTs managed by Albion) have taken advantage of these regulations to create larger VCTs for economic and administration efficiencies. In addition, the changes announced to the VCT investment limits and size test, in particular the removal of the £1 million per annum investment limit per VCT in an investee company, will reduce the need for co-investment between sister VCTs to participate in larger investments (effective for investments made on or after 6 April 2012).

With the above in mind, the Board entered into discussions with the Prime Board and Albion to consider a merger of the Company and Prime to create a single, larger VCT. The aim of the Board is to achieve strategic benefits and reductions in the annual running costs for both sets of shareholders and establish a platform from which the investment mandate can be better operated.

Merger with Prime

The Board considers that this merger will bring a number of benefits to both groups of shareholders through:

- the creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration, regulatory and management costs;
- a reduction in annual running costs for the Enlarged Company compared to the total annual running costs of the separate companies;
- amalgamation of the Companies' portfolios, which are substantially the same, for efficient management and administration;
- participation in a larger VCT with the longer term potential for a more diversified portfolio thereby spreading the portfolio risk across a broader range of investments; and
- enhancing the ability of the Enlarged Company to raise new funds, as well as pay dividends and support buy backs in the future.

The Scheme

The mechanism by which the merger will be completed is as follows:

- Prime will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986; and
- all of the assets and liabilities of Prime will be transferred to the Company in consideration for the issue of New Shares (which will be issued directly to Prime Shareholders).

The merger will be completed on a relative net asset value basis, adjusted for merger costs. The merger is conditional upon the approval by the shareholders of the Company and of Prime of resolutions to be proposed at the General Meeting and the Prime Meetings, and the other conditions set out below. These conditions include the passing of the Continuation Resolutions by the Companies' shareholders at their respective annual general meetings, these being resolutions to continue as a VCT proposed every five years. Should either of these resolutions not be passed, the Board will withdraw Resolution 1 to 4 and consider further the future of the Company.

The merger will result in the creation of an enlarged company and should result in savings in running costs and simpler administration. As both Companies have the same investment policy, investment manager and other main advisers, this is achievable without major additional cost or disruption to the Companies and their combined portfolio of investments.

The portfolio of assets which will be transferred from Prime to the Company as part of the Scheme are all considered to be in keeping with the Company's investment policy, particularly as all but one of Prime's venture capital investments are common across the Companies' respective portfolios as at 31 March 2012. The extent of the liabilities (if any) which will be transferred from Prime to the Company as part of the merger will be those which are incurred in the ordinary course of business, together with the merger costs which remain unpaid at the time of transfer. Any such liabilities are expected to be *de minimis* in comparison to the value of the assets.

Following the transfer of the assets and liabilities by Prime to the Company, the listing of the Prime Shares will be cancelled and Prime will be wound up.

The Scheme is conditional upon:

- the passing of the Continuation Resolutions to be proposed at the Annual General Meeting and Prime Annual General Meeting respectively;
- the passing of Resolution 1 to be proposed at the General Meeting;
- notice of dissent not having been received from Prime Shareholders holding more than 10 per cent. in nominal value of Prime's issued share capital under Section 111, IA 1986 (this condition may be waived by the Prime Board); and
- the passing of the resolutions to be proposed at the Prime Meetings.

Subject to the above, the Scheme shall become effective immediately after the passing of the special resolution for the winding up of Prime to be proposed at the Prime Second General Meeting. If it becomes effective, the Scheme shall be binding on all Shareholders and all persons claiming through or under them. If the conditions of the Scheme have not been satisfied by 30 November 2012, then the Scheme shall not become effective and the Company will continue in its current form and the Board will continue to keep the future of the Company under review.

Terms of the Scheme

On or immediately prior to the Effective Date, Albion (on the instruction of the Liquidators) shall calculate the Merger Value and the Roll-Over Value in accordance with the formulae set out below.

On the Effective Date, the Liquidators shall receive all the cash, undertakings and other assets and liabilities of Prime, and shall deliver to the Company:

- particulars of all of the assets and liabilities of Prime;
- a list certified by the registrars of the names and addresses of, and the number of Prime Shares held by, each of the Prime Shareholders on the register at 5.30 p.m. on the Record Date;
- an estimate of the winding-up costs of Prime; and
- the amount estimated to be required to purchase the holdings of any dissenting Prime Shareholders.

On the Effective Date, the Company and the Liquidators (on behalf of Prime) will enter into the Transfer Agreement (subject to such modifications as may be agreed between the parties thereto) pursuant to which

the Liquidators will procure the transfer of all of the assets and liabilities of Prime to the Company in exchange for the issue of New Shares (credited as fully paid up) to the Prime Shareholders on the basis set out below.

In further consideration of such transfer of assets and liabilities of Prime to the Company, the Company will, pursuant to the Transfer Agreement, undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of Prime and the purchase for cash of any holdings of dissenting Prime Shareholders.

For the purposes of calculating the Roll-Over Value, the Merger Value and the number of New Shares to be issued, the following provisions will apply:

Prime Roll Over Value

The Roll-Over Value will be calculated as:

$$\frac{(A + B + C) - (D + E)}{F}$$

where:

A = the unaudited net assets of Prime as at 30 June 2012;

B = any (i) increase/decrease in the valuation of an investment held by Prime where there has been an event in the period between 30 June 2012 and the Calculation Date which requires a revaluation of the investment in accordance with Financial Reporting Standards 26 'Financial Instruments: Measurement' and using International Private Equity and Venture Capital Valuation Guidelines and (ii) any material increase/decrease in the cash position and/or debtors and/or the creditors of Prime between 30 June 2012 and the Calculation Date (including the payment of the interim dividend to be paid to Prime Shareholders on 31 August 2012);

C = any adjustment the Board and the Prime Board consider appropriate to reflect any other actual or contingent benefit or liability of Prime;

D = Prime's *pro rata* proportion (by reference to the relative aggregate Roll-Over Value of all the Prime Shares and the aggregate Merger Value of all Shares, but ignoring merger costs), of the costs of the merger plus £10,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to Prime incurred by the Company, which will indemnify the Liquidators in respect of all costs of Prime following the transfer on the Effective Date);

E = the amount estimated to be required to purchase the holdings of Prime Shares from dissenting Prime Shareholders; and

F = the number of Prime Shares in issue as at close of business on the Record Date (save for any Prime Shares held by dissenting Prime Shareholders).

The Company Merger Value

The Merger Value will be calculated as follows:

$$\frac{(G + H + I) - J}{K}$$

where:

G = the unaudited net assets of the Company as at 30 June 2012;

H = any (i) increase/decrease in the valuation of an investment held by the Company where there has been an event in the period between 30 June 2012 and the Calculation Date which requires a revaluation of the investment in accordance with Financial Reporting Standards 26 'Financial Instruments: Measurement' and using International Private Equity and Venture Capital Valuation Guidelines and (ii) any material increase/decrease in the cash position and/or debtors and/or the creditors of the Company between 30 June 2012 and the Calculation Date (including the payment of the interim dividend to be paid to Shareholders on 31 July 2012);

I = any adjustment that both the Board and the Prime Board considers appropriate to reflect any other actual or contingent benefit or liability of the Company;

J = the Company's *pro rata* proportion (by reference to the relative aggregate Roll-Over Value of all the Prime Shares and the aggregate Merger Value of all Shares, but ignoring merger costs) of the costs of the merger; and

K = the number of Shares (ignoring any Shares held in treasury) in issue as at close of business on the Record Date.

New Shares to be issued to Prime Shareholders

The number of New Shares to be issued to Prime Shareholders (save for any dissenting Prime Shareholders) will be calculated as follows:

$$\left(\frac{L}{M}\right) \times N$$

where:

L = the Roll-Over Value;

M = the Merger Value; and

N = the number of Prime Shares in issue as at close of business on the Record Date (save for any Prime Shares held by dissenting Prime Shareholders).

The number of New Shares to be issued pursuant to the Scheme will not be greater than 25 million and will be issued directly to Prime Shareholders *pro rata* to their existing holdings (disregarding Prime Shares held by dissenting Prime Shareholders) on the instruction of the Liquidators.

The merger ratio will be rounded to four decimal places and entitlements will be rounded down to the nearest whole number. Any fractional entitlements in respect of each holding (which, in each case, will not exceed £1) will be sold and the proceeds retained for the benefit of the Enlarged Company.

Where Prime Shareholders hold their Prime Shares in certificated form, they will receive a new certificate for the New Shares issued and where Prime Shareholders hold their Prime Shares in uncertificated form, their CREST accounts will be credited with the new holding in New Shares.

Prime Shareholders who are members of the dividend reinvestment scheme operated by Prime will, unless a Prime Shareholder advises otherwise in writing to Computershare, be transferred into the dividend reinvestment scheme operated by the Company in respect of the New Shares issued pursuant to the Scheme. Further, dividend payment mandates provided for Prime Shares will, unless a Prime Shareholder advises otherwise in writing to Computershare, be transferred to the Company.

An application has been made to the UKLA for the New Shares to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such New Shares to be admitted to trading on its market for listed securities. The New Shares will rank *pari passu* with the existing issued Shares from the date of issue (for the avoidance of doubt, however, holders of the New Shares will not be entitled to the Company's first interim dividend in respect of the current financial year, payable on 31 July 2012 to Shareholders on the Company's register on 6 July 2012).

Scheme Illustration

As at 31 March 2012, the audited NAV per Share of the Company (taken from the Annual Report) was 78.0 pence. The Merger Value of a Share (had the merger been completed on that date and calculated in accordance with this Part I, including an adjustment for the first interim dividend declared for the current year ending 31 March 2013 and buybacks and issues of shares by the Company between 31 March 2012 and 16 July 2012) would have been 75.19 pence.

As at 31 March 2012, the audited NAV of a Prime Share (taken from the Prime Annual Report) was 68.0 pence. The Roll-Over Value of a Prime Share (had the merger been completed on that date and calculated in accordance with this Part I, including an adjustment for the interim dividend declared by the Prime Board for the current year ending 31 March 2013 and buybacks and issues of shares by Prime between 31 March 2012 and 16 July 2012) would have been 66.35 pence (assuming no dissenting Prime Shareholders).

The number of New Shares that would have been issued to Prime Shareholders (had the merger been completed on 31 March 2012 and calculated in accordance with this Part I and taking into account the interim dividends declared by the Companies for the current year ending 31 March 2013 and buybacks and issues of shares in the Companies between 31 March 2012 and 16 July 2012) would be 19,378,681 (0.8823 New Shares for every Prime Share held). The New Shares would have been issued to all Prime Shareholders *pro rata* to their holdings in Prime (assuming no dissenting Prime Shareholders). This ignores the Shares and the Prime Shares held in treasury to which no value is attributed and, in respect of the Prime Shares held in treasury, which will be cancelled prior to the Effective Date

As is required by CA 2006, prior to the allotment of the New Shares pursuant to the Scheme, the Company will be posting to Prime Shareholders at their registered addresses and uploading on to the Company's website a valuation report which will be prepared by Scott-Moncrieff. This report will confirm to the Company that the value of Prime's assets and liabilities which are being transferred to the Company as part of the Scheme is not less than the aggregate amount treated as being paid up on the New Shares being issued to Prime Shareholders.

Further information is set out in Part V of this document on the financial position of the Enlarged Company had the merger by way of the Scheme been implemented as at 31 March 2012.

Taxation

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares (or, as the case may be, New Shares) and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The Company and its Shareholders

The implementation of the Scheme should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription for existing Shares. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Scheme so as to continue to qualify as a VCT.

Prime Shareholders

The effective exchange of existing Prime Shares for New Shares should not constitute a disposal of the existing Prime Shares for the purposes of UK taxation. Instead, the new holding of New Shares should be treated as having been acquired at the same time and at the same cost as the existing Prime Shares from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing Shares in the Company should not, therefore, be crystallised for payment but will be transferred to the New Shares.

For Prime Shareholders holding (together with their associates) more than 5 per cent. of the Prime Shares in issue, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5 per cent. of the Prime Shares should also apply to them.

Shareholders in the Company as a VCT, should be afforded the usual tax reliefs available to shareholders in VCTs. Qualifying shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Shares.

Dissenting Prime Shareholders whose holdings are purchased for cash at the break value price shall be treated as having disposed of their existing Prime Shares. Prime should still be able to claim the benefit of VCT status and the dissenting Prime shareholder should not be subject to any UK taxation in respect of any capital gains arising on disposal. However, the purchase will constitute a disposal of the existing holding in Prime and a dissenting Prime shareholder will be liable to pay any capital gains tax for which such dissenting Prime shareholder obtained deferral relief on subscription. If the dissenting Prime shareholder has disposed

of Prime Shares within the holding period required to retain upfront tax relief, income tax relief on those subscriptions will also be repayable.

Although the Company will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of the assets and liabilities of Prime (which form part of the merger costs being allocated to both the Company and Prime), no UK stamp duty or stamp duty reserve tax will be payable by Prime Shareholders as a result of the implementation of the Scheme.

Clearance has been obtained from HMRC in respect of the Scheme under Section 701 ITA 2007 and Section 138 TCGA 1992. With regard to the former, the receipt of New Shares should, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation.

Clearance has also been obtained from HMRC that the Scheme meets the requirements of the Merger Regulations and as such the receipt by Shareholders of New Shares should not prejudice tax reliefs obtained by Shareholders on existing Shares in the Company and should not be regarded as a disposal.

PART II

INFORMATION ON THE COMPANY

Constitution and Status

The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 22 December 1995 with registered number 03142609 and the name Close Brothers Venture Capital Trust PLC. The Company changed its name to Albion Venture Capital Trust PLC on 27 March 2009.

The Company was issued with a trading certificate under Section 117 of CA 1985 (now Section 761 of CA 2006) on 15 February 1996.

The Company operates under CA 2006 and the regulations made thereunder.

VCTs are unregulated, but are required to manage their affairs to obtain and maintain approval as a VCT under the provisions of chapter 3 of Part 6 of ITA 2007. HMRC has granted approval of the Company as a VCT under Section 259 of ITA 2007. The business of the Company has been, and it is intended will be, carried on so as to continue to comply with that section to maintain full approval.

The Company is not authorised and/or regulated by the FSA or an equivalent overseas regulator. The Company's Shares are listed on the premium segment of the Official List.

Share Capital

The share capital of the Company comprises ordinary shares of 50 pence each of which 40,348,003 are currently in issue (as at 26 July 2012). The Company holds 3,277,373 Shares in the treasury.

At the General Meeting, the Board proposes, so as to enhance the Company's ability to support the future payment of dividends, to restructure the Company's balance sheet through 49 pence of the amount paid up or credited as paid up in respect of the nominal value of its issued Shares being cancelled and extinguished. Resolution 5 to be proposed at the General Meeting seeks, amongst other things, the approval of this cancellation of share capital, subject to the sanction of the Court. If this resolution is approved, the Board intends to apply to Court to sanction the cancellation (which is not conditional on the merger being completed). It is expected that the completion of the cancellation will take place before the end of the year. Share certificates for shares (including New Shares issued pursuant to the merger, if approved) will continue to be valid and will not be replaced as the cancellation will not affect the number of shares held.

Selected Financial Information

Certain selected financial information is set out below:

	<i>Audited year ended 31 March (£'000)</i>		
	<i>2012</i>	<i>2011</i>	<i>2010</i>
Investment Income and deposit interest	1,314	1,300	1,330
Total profit/(loss) on ordinary activities before taxation	815	1,187	287
Total net asset value return per share (pence)			
<i>Ordinary Shares</i>	197.80	195.30	191.40
<i>Former C Shares*</i>	186.25	183.75	179.85
Dividends paid per share (pence)**	5.0	5.0	5.0
Net assets	28,386	28,761	28,400
NAV per share (pence)	78.0	80.50	81.62

* The C Shares merged with the Ordinary Shares on an equal basis in 2000.

**In addition to the total dividends paid in the table above the Board has declared a first interim dividend for the current financial year of 2.5 pence per Share to be paid on 31 July 2012 to Shareholders on the register on 6 July 2012.

The Board of Directors

The Board has four non-executive directors; David Watkins (Chairman), John Kerr, Jeff Warren and Jonathan Rounce.

The Board and the Prime Board have considered what the size and future composition of the Enlarged Company's board should be following the merger and it has been agreed that, subject to the Scheme becoming effective, Jonathan Rounce will step down as a Director of the Company and that Ebbe Dinesen (a director of Prime) will be appointed as a director of the Company.

The Directors

David Watkins (Chairman)

From 1972 until 1991, David Watkins worked for Goldman Sachs, where he was head of Euromarkets Syndication and Head of European Real Estate. He subsequently joined Mountleigh Group PLC where he worked as a director on the restructuring of the business prior to the Group being placed into administration. Until late 1995, he worked at Baring Securities Limited as Head of Equity Capital Markets – London, before leaving ultimately to become Chief Financial Officer and one of the principal shareholders of his current company, The Distinguished Programs Group LLC, an insurance distribution and underwriting group. From 1986 to 1990 he was a member of the Council of the London Stock Exchange. David Watkins became a Director of the Company on 9 February 1996.

John Kerr

John Kerr has worked as a venture capitalist and also in manufacturing and service industries. He held a number of finance and general management posts in the UK and USA, before joining SUMIT Equity Ventures, an independent Midlands based venture capital company, where he was managing director from 1985 to 1992. He then became chief executive of Price & Pierce Limited, which acted as the UK agent for overseas producers of forestry products, before leaving in 1997 to become finance director of Ambion Brick, a building materials company bought out from Ibstock PLC. After retiring in 2002, he now works as a consultant. He is a non-executive director of Albion Income & Growth VCT PLC (from which he will be retiring on 30 September 2012), which is also managed by Albion, and he is also an external member of the Albion investment committee. John Kerr became a Director of the Company on 9 February 1996.

Jeff Warren

Jeff Warren has 30 years' financial management experience, including high level corporate governance and regulatory environment experience. He held the post of CFO of Bristol & West Building Society from 1992. Following the acquisition of Bristol & West by Bank of Ireland, he was appointed CEO of Bristol & West PLC in 1999, and subsequently also took responsibility for the Bank of Ireland UK Branch network. In 2003 he moved to take on a role at Group level in Dublin, as Group Chief Development Officer, reporting to the Bank of Ireland CEO. In 2004 he returned to the UK to develop a career as a non-executive director. Jeff Warren became a Director of the Company on 2 October 2007.

Jonathan Rounce

Building on formal qualifications as both an hotelier and a chartered accountant, Jonathan Rounce's 30 year career has spanned property development, management consultancy, finance and operations. As a management consultant he established and ran Coopers & Lybrand (now PricewaterhouseCoopers) tourism and leisure consultancy practice (between 1977 and 1988). From 1983 to 1985 he was development director of Penta Hotels NV. While managing director of the leisure development interests of Arlington Securities Plc (from 1988 to 1991), he was responsible for the pioneering Port Solent marina complex in Portsmouth and the development of the 27-hole Wisley golf course complex in Surrey. Between 1992 and 1999 he served as Vice-Chairman of the West Middlesex University Hospital Trust where he also established and chaired the audit committee. That non-executive role was held in parallel with his executive directorship of Grant Leisure Group, a leisure industry consultancy. In 2000 he launched and now runs Petersham Group, a specialist leisure and hospitality consultancy. Jonathan Rounce became a Director of the Company on 21 June 2010.

Proposed Director

Ebbe Dinesen

Ebbe Dinesen qualified as a chartered accountant in Denmark before working in senior positions in Danish industry. In 1985 he came to the United Kingdom and became CEO of Carlsberg UK in 1987. He later became CEO of Carlsberg-Tetley PLC (now Carlsberg UK) and became executive chairman of the company in 2001. He stepped down in 2006. He was chairman of the British Brewers from 2002 to 2006. Ebbe Dinesen was Danish vice-consul for The Midlands from 1987 to 2006. In 2000 he was knighted by the Queen of Denmark.

Corporate Governance

The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("FRC") in May 2010.

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in section 1 of the Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders than reporting under the Code above.

For the year ended 31 March 2012 and as at the date of this document, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the Code, except where noted below. There are certain areas of the Code that the AIC does not consider relevant to venture capital trusts and with which the Company does not specifically comply, for which the AIC Code provides dispensation.

The areas and reasons for non-compliance are set out below.

Application of the Principles of the Code

The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust company, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

Board of Directors

The Board consists solely of non-executive Directors. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to Albion, the Company does not have a Chief Executive Officer.

Directors' Tenure

The Board does not have a policy of limiting the tenure of the Directors as the Board does not consider that a Director's length of services reduces his ability to act independently of Albion. In accordance with the AIC Code, Directors who have been appointed for more than nine years are subject to annual re-election.

Internal control

As the Board has delegated the investment management and administration to Albion, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board has access to Littlejohn LLP, which, as internal auditor for Albion, undertakes periodic examination of the business processes and controls environment at Albion, and ensures that any recommendations to implement improvements in controls are carried out.

Further details on the Company's corporate governance including the constitution of the Board, various committees and other internal controls are set out in paragraph 7 of Part IX of this document.

Investment Manager

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 FSA 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).

Investment Objective and Policy

The Company's investment strategy is to reduce the risk normally associated with investments in smaller, unquoted companies whilst maintaining an attractive yield, through allowing investors the opportunity to participate in a balanced portfolio of asset-backed businesses. Albion VCT's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term.

This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- the Company invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the investee company. Funds managed or advised by Albion typically own 50 per cent. of the equity of the investee company; and
- other than the loan stock issued to funds managed or advised by Albion, investee companies do not normally have external borrowings.

Investment Portfolios

As at 31 March 2012, the Company had audited net assets of £28.4 million (78.0 pence per Share) and, in aggregate, venture capital investments in 31 companies with a carrying value of £25.9 million. As at 31 March 2012, Prime had audited net assets of £14.7 million (68.0 pence per Prime Share) and, in aggregate, venture capital investments in 30 companies with a carrying value of £13.5 million.

The two Companies now have the same investment policy. As a result, the venture capital investments which are common across the Companies' respective portfolios represented approximately 93 per cent. of the aggregate value of venture capital investments as at 31 March 2012.

Dividends and Returns

The total return to Shareholders and Prime Shareholders for every £1 invested as at 31 March 2012 is set out in the table below:

	<i>Shares**</i>
Total dividends paid*	119.80p
Audited NAV	78.00p
Total net asset value return since launch	197.80p

* Dividends paid before 5 April 1999 were paid to Qualifying Shareholders inclusive of associated tax credits. In addition to the total dividends paid in the table above the Board has declared a first interim dividend for the current financial year of 2.5 pence per Share to be paid on 31 July 2012 to Shareholders on the register on 6 July 2012.

**The equivalent amount of dividends paid, audited NAV and total net asset value return to the former holders of C ordinary shares in the Company is 108.25p, 78.0p and 186.25p respectively. These C ordinary shares were merged into the Shares in 2000.

	<i>Prime Shares</i>
Total dividends paid *	47.45p
Audited NAV	68.00p
Total net asset value return since launch	115.45p

* Dividends paid before 5 April 1999 were paid to qualifying Prime Shareholders inclusive of associated tax credits. In addition, to the total dividends paid in the table above the Prime Board has declared an interim dividend for the current Prime financial year of 1.5 pence per Prime Share to be paid on 31 August 2012 to Prime Shareholders on the register on 3 August 2012.

Dividend Policy

The current annual dividend target is 5 pence per Share per annum, which was achieved in the year ended 31 March 2012 and is consistent with the first interim dividend recently declared for the current year ending 31 March 2013. Assuming a Merger Ratio of 0.8823, a Prime Shareholder is expected to receive 4.4 pence per share in respect of his New Shares in the future, compared to 3 pence per Prime Share currently.

Share Buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in existing and new investee companies and for the continued payment of dividends to Shareholders. Thereafter, the Board's policy is to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. The Company will limit the sum available for share buy-backs for the six months to 30 September 2012 to £350,000 which compares to £310,000 bought in for the previous six months. Subject to the constraints referred to above, and subject to first purchasing shares held by market makers, it is the Board's target for such buy-backs to be in the region of a 10 to 15 per cent. discount to net asset value, so far as market conditions and liquidity permit. The amount to be allocated for the six months to 31 March 2013 will be announced at the time the results for the six months to 30 September 2012 are announced.

Investment Management and Administration Arrangements

Albion is the investment manager of the Company and of Prime and also provides administration services to both Companies.

In respect of the Company, Albion is entitled to an annual investment management fee of an amount equivalent to 2 per cent. of the net assets of the Company and an annual administration fee which amounted to £43,528 for the year ended 31 March 2012 and is increased annually by RPI (in each case 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, fees of the Company's auditors and irrecoverable VAT) are capped at an amount equivalent to 3.5 per cent. of net asset value of the Company, with any excess being paid by Albion or refunded by a reduction in Albion's management and administration fees. Albion's appointment is terminable on 12 months' notice.

Albion is entitled to an annual performance incentive fee of an amount equal to 8 per cent. of any excess above a total return (representing dividends paid and growth in net asset value) of 5 per cent. per annum, paid annually in cash. Any shortfall of the total return in one year will be carried forward into subsequent periods and the incentive fee will only be paid once all previous and current total returns have been met.

Albion will continue to provide investment management and administration services to the Enlarged Company following the merger on the same basis as is currently in place with the Company, except that the Company and Albion have agreed that the management fee will be reduced from the Effective Date to an amount equivalent to 1.9 per cent. of the Company's net assets. The administration and performance incentive arrangements currently in place with the Company shall continue unchanged for the Enlarged Company and will automatically cover the enlarged assets and New Shares issued. As from the Effective Date, Albion will no longer receive the administration fee previously paid by Prime.

Cost Savings

Normal annual running costs for the Company and Prime are approximately £816,000 and £456,000 respectively (£1,272,000 in aggregate). Normal running costs means the annual expenses incurred in the ordinary course of business including investment management and administration fees, directors' remuneration, listing fees and normal fees payable to service providers. It does not include exceptional items, for example merger costs. These annual costs represent approximately 2.9 per cent. of the Company's audited net asset value and 3.1 per cent. of Prime's audited net asset value, in each case as at 31 March 2012.

The aggregate anticipated cost of undertaking the merger is approximately £230,000, including VAT, legal and professional fees, stamp duty and the costs of winding up Prime. The costs of the merger will be split proportionately between the Company and Prime by reference to their respective merger net assets (ignoring merger costs).

On the assumption that the net assets of the Enlarged Company will remain the same immediately after the merger, annual cost savings for the Enlarged Company are estimated to be approximately £168,000 per annum (this represents a saving of £60,000 in respect of directors' fees, £74,000 for secretarial, administration, registrars, auditors and tax compliance fees and with the balance of the savings being made up of regulatory fees and general day-to-day expenses). This would represent 0.4 per cent. per annum of the expected net assets of the Enlarged Company. On this basis, and assuming that no new funds are raised or investments realised to meet annual costs, the Board believes that the costs of the merger would be recovered within 18 months.

Custodian

Investments in portfolio companies, comprising shares and loan stock, are held by Albion as custodian in the name of the Company.

VCT Status Monitoring

PricewaterhouseCoopers LLP is the Company's VCT status adviser. It carries out reviews of the Company's investment portfolio to ensure compliance and, when requested to do so by the Board or Albion, reviews prospective investments to ensure that they are qualifying investments.

The VCT tax implications of the merger have been advised upon by SGH Martineau LLP.

Duration of the Company

The Articles provide for a resolution to be proposed for the continuation of the Company as a VCT at the annual general meeting of the Company in 2012, and at five-yearly intervals thereafter. Accordingly, resolution 7 at the Annual General Meeting proposes the continuation of the Company for a further five years.

Investor Communications

The Board places a great deal of importance on communications with its Shareholders and supports open communication with Shareholders. In addition to the announcement and publication of the annual report and accounts and the half-yearly financial report, the Company also publishes interim management statements as required by the Disclosure and Transparency Rules. Albion also sends 'Venture Matters' newsletters to Shareholders and holds annual shareholder conferences.

Reporting Dates

<i>Year End</i>	<i>31 March</i>
Announcement and publication of annual report and accounts to Shareholders	June
Announcement and publication of half-yearly results	November

Valuation Policy

The Company's unquoted investments are valued at fair value through profit or loss in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. These investments are valued on the basis of forward looking estimates and judgments about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgments the valuation takes into account all known material facts up to the date of approval of the financial statements by the Board.

PART III

THE INVESTMENT MANAGER

Albion Ventures LLP is authorised and regulated by the Financial Services Authority and is the investment manager of both the Company and Albion Prime VCT PLC. In addition to the Company and Prime, Albion manages a further six venture capital trusts and currently has total funds under management of approximately £230 million.

Management Team

The following are specifically responsible for the management and administration of the VCTs managed by Albion, including the Company:

Patrick Reeve, MA, ACA, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Albion (formerly Close Ventures) with the launch of the Company in the spring of 1996. He is the managing partner of Albion and is director of Albion Enterprise VCT PLC, Albion Income & Growth VCT PLC, Albion Prime VCT PLC and Albion Technology & General VCT PLC, all managed by Albion. He is also a director of UCL Business, the technology transfer arm of University College, London. He read modern languages at Oxford University.

Will Fraser-Allen, BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 and then joined their corporate finance team providing corporate finance advice to small and medium sized businesses. He joined Albion (then Close Ventures) in 2001 since when he has focused on leisure and healthcare investing. Will became deputy managing partner of Albion in 2009. He has a BA in History from Southampton University.

Isabel Dolan, BSc (Hons), ACA, MBA, qualified as a chartered accountant with Moore Stephens. From 1993 to 1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland PLC and from 1997 to 2001 she was at 3i plc, latterly as a portfolio director. She joined Albion (then Close Ventures) in 2005, having previously been finance director for a number of unquoted companies. Isabel became operations partner at Albion in 2009. She has a BSc in Biochemistry with Pharmacology from Southampton University and an MBA from London Business School.

Dr Andrew Elder, MA, FRCS, joined Albion (then Close Ventures) in 2005 and became a partner in 2009. He initially practised as a surgeon for six years, specialising in neurosurgery, before joining the Boston Consulting Group (BCG) as a consultant in 2001. Whilst at BCG he specialised in healthcare strategy, gaining experience with many large, global clients across the full spectrum of healthcare including biotechnology, pharmaceuticals, service and care providers, software and telecommunications. He has an MA plus Bachelors of Medicine and Surgery from Cambridge University and is a Fellow of the Royal College of Surgeons (England).

Emil Gigov, BA (Hons), ACA, graduated from the European Business School, London, with a BA (Hons) Degree in European Business Administration in 1994. He then joined KPMG in their financial services division and qualified as a chartered accountant in 1997. Following this he transferred to KPMG Corporate Finance where he specialised in the leisure, media and marketing services sectors acting on acquisitions, disposals and fundraising mandates. He joined Albion (then Close Ventures) in 2000 and has since made and exited investments in a number of industry sectors, including healthcare, education, technology, leisure and engineering. Emil became a partner in Albion in 2009.

David Gudgin, BSc (Hons), ACMA, qualified as a management accountant with ICL before spending 3 years at the BBC. In 1999 he joined 3i plc as an investor in European technology based in London and Amsterdam. In 2002 he moved to Foursome Investments (now Frog Capital) as the lead investor of an environmental technology and a later stage development capital fund. David joined Albion (then Close Ventures) in 2005 and became a partner in 2009. David has a BSc in Economics from Warwick University.

Michael Kaplan, BA, MBA. Prior to joining Albion (then Close Ventures) in 2007, Michael was a project leader with the Boston Consulting Group (BCG) where he focused on the retail and financial services sectors. More recently, Michael was part of BCG's growing Private Equity practice – which provides strategic due diligence to some of the world's biggest private equity funds. Prior to his time with BCG, Michael was the chief financial officer for Widevine Technologies, a security software company based in Seattle. Michael has a BA from the University of Washington and an MBA from INSEAD. He became a partner in Albion Ventures in 2010.

Ed Lascelles, BA (Hons), joined Albion (then Close Ventures) in 2004. Ed began by advising quoted UK companies on IPOs, takeovers and other corporate transactions, first with Charterhouse Securities and then ING Barings. Companies ranged in value from £10 million to £1 billion, across the healthcare and technology sectors among others. After moving to Albion in 2004 (then Close Ventures), Ed started investing in the technology, healthcare, financial and business service sectors. Ed became a partner in 2009 and is responsible for a number of Albion's technology investments. He graduated from University College London with a first class degree in Philosophy.

Dr Christoph Ruedig, MA, MBA, joined Albion as an investment manager in October 2011 and primarily focuses on Albion's healthcare investments, alongside Andrew Elder. He initially practised as a radiologist, before spending 3 years at Bain & Company. In 2006 he joined 3i plc working for their Healthcare Venture Capital arm leading investments in biotechnology, pharmaceuticals and medical technology. Most recently he has worked for General Electric UK, where he was responsible for mergers and acquisitions in the medical technology and healthcare IT sectors. He holds a degree in medicine from Ludwig-Maximilians University, Munich and an MBA from INSEAD.

Henry Stanford, MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group in 1992, becoming an assistant director in 1996. He moved to Albion (then Close Ventures) in 1998, where he has focused principally on hotel, cinema and other leisure investments. Henry became a partner in Albion in 2009. He holds an MA degree in Classics from Oxford University.

Robert Whitby-Smith, BA (Hons), MSI, ACA, after graduating in History at Reading University, Robert qualified as a chartered accountant at KPMG and subsequently worked in corporate finance at Credit Suisse First Boston and ING Barings. Since joining Albion (then Close Ventures) in 2005, Robert has assisted in the workout of three VCT portfolios (Murray VCT PLC, Murray VCT 2 PLC and Murray VCT 3 PLC now renamed Crown Place VCT PLC), formerly managed by Aberdeen Murray Johnson, and is responsible for investments in the leisure, manufacturing and technology sectors. Robert became a partner in Albion in 2009.

Marco Yu, MPhil, MA, MRICS, spent two and a half years at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. He joined Albion (then Close Ventures) in 2007 and became an investment manager in Albion in 2009. Marco graduated from Cambridge University with a first class degree in Economics and is a Chartered Surveyor.

PART IV

FINANCIAL INFORMATION ON THE COMPANY AND PRIME

Audited financial information on the Company is published in the annual reports for the three years ended 31 March 2010, 2011 and 2012.

Audited financial information on Prime is published in the annual reports for the three years ended 31 March 2010, 2011 and 2012.

The annual reports for the Company for the years ended 31 March 2010, 2011 and 2012 were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP (a member of the Institute of Chartered Accountants) and were reported on without qualification and contained no statements under Section 495 to Section 497A of CA 2006.

The annual reports for Prime for the years ended 31 March 2010, 2011 and 2012 were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP (a member of the Institute of Chartered Accountants) and were reported on without qualification and contained no statements under Section 495 to Section 497A of CA 2006.

All of the annual reports referred to above were prepared in accordance with UK generally accepted accounting practice (GAAP), the requirements of CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

It should be noted that the Company is not proposing to acquire Prime itself, rather, all of the assets and liabilities of Prime (as more specifically set out in Part VI) will be transferred to the Company once Prime has been placed in members' voluntary liquidation.

The annual reports contain a description of the relevant company's financial condition, changes in financial condition and results of operation for each relevant financial year. The annual reports are incorporated by reference (which contain the information as detailed below) and can be accessed at the following website:

- www.albion-ventures.co.uk/ourfunds/capital_trust.html
- www.albion-ventures.co.uk/ourfunds/prime.html

and are also available for inspection through the national storage mechanism, which can be accessed at the following website:

- www.morningstar.co.uk/uk/NSM

The Company

<i>Description</i>	<i>2010 Annual Report</i>	<i>2011 Annual Report</i>	<i>2012 Annual Report</i>
Balance Sheet	Page 32	Page 31	Page 31
Income Statement (or equivalent)	Page 31	Page 30	Page 30
Statement showing all changes in equity (or equivalent note)	Page 33	Page 32	Page 32
Cash Flow Statement	Page 34	Page 33	Page 33
Accounting Policies and Notes	Pages 35 to 46	Pages 34 to 45	Pages 34 to 45
Auditor's Report	Page 30	Page 29	Page 29

This information has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

The annual report also includes operating/financial reviews as follows:

<i>Description</i>	<i>2010 Annual Report</i>	<i>2011 Annual Report</i>	<i>2012 Annual Report</i>
Objectives	Page 3	Page 3	Page 3
Financial Highlights	Page 4	Page 4	Page 4
Chairman's Statement	Pages 6 to 7	Pages 6 to 7	Pages 6 to 7
Manager's Report	Page 8	Page 8	Page 8
Portfolio Summary	Pages 11 to 12	Pages 11 to 12	Pages 11 to 12
Investment Policy	Page 16	Pages 15 to 16	Pages 15 to 16
Valuation Policy	Page 35	Page 34	Page 34

Prime

<i>Description</i>	<i>2010 Annual Report</i>	<i>2011 Annual Report</i>	<i>2012 Annual Report</i>
Balance Sheet	Page 30	Page 28	Page 28
Income Statement (or equivalent)	Page 29	Page 27	Page 27
Statement showing all changes in equity (or equivalent note)	Page 31	Page 29	Page 29
Cash Flow Statement	Page 32	Page 30	Page 30
Accounting Policies and Notes	Pages 33 to 46	Pages 31 to 43	Pages 31 to 43
Auditor's Report	Page 28	Page 26	Page 26

This information in the annual reports has been prepared in a form consistent with that which will be adopted in Prime's next published annual financial statements (if the merger is not effected) having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<i>Description</i>	<i>2010 Annual Report</i>	<i>2011 Annual Report</i>	<i>2012 Annual Report</i>
Objectives	Page 3	Page 3	Page 3
Financial Highlights	Page 4	Page 4	Page 4
Chairman's Statement	Pages 5 to 6	Page 5	Page 5
Manager's Report	Page 7	Page 6	Page 6
Portfolio Summary	Pages 10 to 11	Pages 9 to 10	Pages 9 to 10
Investment Policy	Page 15	Pages 13 to 14	Pages 13 to 14
Valuation Policy	Page 33	Page 31	Page 31

PART V

PRO FORMA FINANCIAL INFORMATION

ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The Directors and Proposed Director
Albion Venture Capital Trust PLC
1 King's Arms Yard
London
EC2R 7AF

27 July 2012

Dear Sirs

Albion Venture Capital Trust PLC ("the Company")

We report on the pro forma financial information ("the pro forma financial information") set out in Part V of the prospectus dated 27 July 2012 ("Prospectus"), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Scheme (as defined in the Prospectus) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the yearly report ended 31 March 2012. This report is required by paragraph 20.2 of Annex I of the Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I to the Commission Regulation (EC) 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the pro forma financial information in accordance with item 20.2 of Annex I of the Commission Regulation (EC) 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has

been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the Commission Regulation (EC) 809/2004.

Yours faithfully

Scott-Moncrieff

PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information of the Company has been prepared for illustrative purposes only, to show the impact of the Scheme on the Company's audited net assets as at 31 March 2012 on the basis that the Scheme and the acquisition of the investment portfolio and all of the other assets and liabilities of Prime by the Company had been completed on that date. This pro forma financial information has been prepared in a manner consistent with the accounting policies of the Company and Prime as adopted in their last published accounts.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results:

	<i>Adjustments</i>			
	<i>Company</i>	<i>Acquisition of the assets and liabilities of Prime</i>	<i>Expenses of the Scheme</i>	<i>Enlarged Company pro forma</i>
	<i>(£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>
Investments (at fair value)		25,945	13,498	39,443
Debtors	10	11		21
Other current assets	–	–		–
Cash at bank and in hand	2,956	1,404		4,360
Creditors: amounts falling due within one year	(525)	(242)	(230)	(997)
Net current assets	<u>2,441</u>	<u>1,173</u>	<u>(230)</u>	<u>3,384</u>
Net assets	28,386	14,671	(230)	42,827

Notes:

1. The financial information on the Company has been extracted without material adjustment from the Company's audited Annual Report for the year ended 31 March 2012 as incorporated into this Prospectus in Part IV of this document.
2. The acquired assets and liabilities of Prime are the assets and liabilities of Prime as extracted without material adjustment from Prime's audited Annual Report for year ended 31 March 2012 as incorporated into this Prospectus in Part IV of this document.
3. Total costs of approximately £230,000 (inclusive of VAT) are expected to be incurred in relation to the Scheme and will be borne by both the Company and Prime by reference to the Merger Ratio (excluding costs).
4. The pro forma statement of net assets of the Company does not take account of any transactions of the Company or Prime or other changes in the value of the assets and liabilities of the Company and Prime since 31 March 2012.
5. The Scheme is expected to have an earning enhancing impact on the earnings of the Company had the acquisition occurred on 1 April 2012.

PART VI

INVESTMENT PORTFOLIOS AND THE PRINCIPAL INVESTMENTS OF THE COMPANY AND PRIME

The following audited information represents all the investments of the Company and Prime (with a carrying value or an accounting cost) as at the date of this document.

The valuations in this Part VI have been sourced from the Company's and Prime's respective audited annual financial statements for the year ended 31 March 2012, these being the most recent valuations of the relevant companies.

In respect of the information on investee companies' sales, profits and losses and net assets, these have been taken from the financial year end accounts published by those investee companies as referred to in this Part VI. The information on the investee companies is, for the purpose of this paragraph, "Third Party Information". The Third Party Information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

<i>Investments</i>	<i>Company's</i>		<i>Prime's</i>	
Unquoted investments	<i>Value</i>		<i>Value</i>	
	<i>(£'000s)</i>	<i>%</i>	<i>(£'000s)</i>	<i>%</i>
Alto Prodotto Wind Limited	432	1.5	238	1.6
AVESI Limited	160	0.6	70	0.5
The Bear Hungerford Limited	1,322	4.6	739	4.9
Bravo Inns Limited	284	1.0	145	1.0
Bravo Inns II Limited	573	2.0	211	1.4
The Charnwood Pub Company Limited	1,142	3.9	785	5.3
City Screen (Cambridge) Limited	2,215	7.7	–	–
City Screen (Liverpool) Limited	180	0.6	226	1.5
The Crown Hotel Harrogate Limited	2,110	7.3	1,139	7.6
CS (Brixton) Limited	482	1.7	222	1.5
CS (Exeter) Limited	93	0.4	42	0.3
CS (Greenwich) Limited	1,211	4.1	500	3.3
CS (Norwich) Limited	62	0.2	25	0.2
The Dunedin Pub Company VCT Limited	44	0.2	40	0.3
G&K Smart Developments VCT Limited	476	1.6	–	–
GB Pub Company VCT Limited	24	0.1	12	0.1
Greenenerco Limited	90	0.3	45	0.3
Kensington Health Clubs Limited	765	2.6	765	5.1
Kew Green VCT (Stansted) Limited	5,859	20.3	3,373	22.6
Nelson House Hospital Limited	396	1.4	219	1.5
Oakland Care Centre Limited	2,293	7.9	1,143	7.7
Orchard Portman Hospital Limited	140	0.5	159	1.1
Premier Leisure (Suffolk) Limited	85	0.3	88	0.6
Radnor House School (Holdings) Limited	1,043	3.6	569	3.8
Regenerco Renewable Energy Limited	249	0.9	179	1.2
The Stanwell Hotel Limited	1,749	6.0	1,038	6.9
The Street by Street Solar Programme Limited	384	1.3	271	1.8
Taunton Hospital Limited	381	1.3	101	0.7
TEG Biogas (Perth) Limited	217	0.8	81	0.5
Tower Bridge Health Clubs Limited	383	1.3	205	1.4
The Weybridge Club Limited	1,101	3.8	808	5.4
Wickenhall Mill VCT Limited	–	–	60	0.4
Total fixed asset investments	25,945	89.8	13,498	90.5
Current assets	10	–	11	0.1
Cash at bank	2,956	10.2	1,404	9.4
Gross assets	28,911	100.0	14,913	100.0

Largest investments of the Company and Prime

Set out below are further details of the largest fixed asset investments of the Company and Prime representing more than 50 per cent. of the gross assets of each of the Company and Prime (including investments representing 5 per cent. of each of the gross assets of the Company and Prime) as at the date of this document.

Kew Green VCT (Stansted) Limited				Accounts for the year ended 31 August 2011 £'000	
254 bedroom Holiday Inn Express hotel at London Stansted Airport					
Profit before tax				705	
Retained profit				569	
Net assets				4,261	
Holding		Equity percentage (%)	Accounting cost (£'000)	Valuation (£'000)	Percentage of gross assets (%)
Company	Equity	28.2	1,500	3,343	11.6
	Loan stock	—	2,485	2,516	8.7
Prime	Equity	16.9	900	2,005	13.4
	Loan stock	—	1,350	1,368	9.2

Oakland Care Centre Limited		Accounts for the year ended 30 September 2011 £'000			
Care home for elderly residents in Chingford, Essex					
Loss before tax		(126)			
Retained loss		(142)			
Net assets		1,164			
Holding		Equity percentage (%)	Accounting cost (£'000)	Valuation (£'000)	Percentage of gross assets (%)
Company	Equity	21.1	606	970	3.4
	Loan stock	–	1,229	1,323	4.5
Prime	Equity	10.5	302	483	3.2
	Loan stock	–	613	660	4.5

The Crown Hotel Harrogate Limited		<i>Accounts for the year ended 31 March 2011</i>			
		<i>£'000</i>			
114 bedroom Crown Hotel in Harrogate					
Loss before tax		(795)			
Retained loss		(795)			
Net liabilities		(3,886)			
		<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
<i>Holding</i>					
Company	Equity	15.6	825	–	–
	Loan stock	–	2,275	2,110	7.3
Prime	Equity	8.4	445	–	–
	Loan stock	–	1,229	1,139	7.6

The Stanwell Hotel Limited		<i>Accounts for the year ended 31 August 2011</i>			
		<i>£'000</i>			
52 bedroom Stanwell Hotel near Heathrow					
Loss before tax		(2,790)			
Retained loss		(2,790)			
Net liabilities		(2,731)			
		<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
<i>Holding</i>					
Company	Equity	24.6	1,056	–	–
	Loan stock	–	2,440	1,749	6.0
Prime	Equity	14.6	627	–	–
	Loan stock	–	1,448	1,038	6.9

City Screen (Cambridge) Limited		<i>Accounts for the year ended 31 December 2011</i>			
		<i>£'000</i>			
Cambridge Arts Picturehouse cinema in Cambridge					
Profit before tax		503			
Retained profit		392			
Net assets		3,530			
		<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
<i>Holding</i>					
Company	Equity	50.0	181	1,911	6.6
	Loan stock	–	304	304	1.1
Prime	Equity	–	–	–	–
	Loan stock	–	–	–	–

The Bear Hungerford Limited		<i>Accounts for the year ended 31 March 2011</i>			
		<i>£'000</i>			
39 bedroom Bear Hotel in Hungerford					
Loss before tax		(233)			
Retained loss		(233)			
Net liabilities		(1,735)			
		<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
<i>Holding</i>					
Company	Equity	26.2	510	–	–
	Loan stock	–	1,578	1,322	4.6
Prime	Equity	14.6	285	–	–
	Loan stock	–	882	739	4.9

The Charnwood Pub Company Limited		<i>Accounts for the year ended 31 March 2011</i>			
		<i>£'000</i>			
10 pubs and a hotel in Central England					
Loss before tax		(534)			
Retained loss		(534)			
Net liabilities		(1,142)			
		<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
<i>Holding</i>					
Company	Equity	8.8	872	–	–
	Loan stock	–	2,073	1,142	3.9
Prime	Equity	6.0	594	–	–
	Loan stock	–	1,385	785	5.3

The Weybridge Club Limited		<i>Accounts for the year ended 30 September 2011</i>			
		<i>£'000</i>			
Health and fitness club in Weybridge, Surrey					
Loss before tax		(839)			
Retained loss		(839)			
Net loss		(2,205)			
		<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
<i>Holding</i>					
Company	Equity	8.2	399	35	0.1
	Loan stock	–	931	1,066	3.7
Prime	Equity	6.0	294	25	0.2
	Loan stock	–	686	783	5.2

CS (Greenwich) Limited

*Accounts for the year
ended 31 December 2011
£'000*

Greenwich Picturehouse cinema in Greenwich, London

Profit before tax	322
Retained profit	242
Net assets	2,425

	<i>Holding</i>	<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
Company	Equity	18.3	301	559	1.9
	Loan stock	–	644	652	2.2
Prime	Equity	7.5	124	231	1.5
	Loan stock	–	266	269	1.8

Radnor House School (Holdings) Limited

*Accounts for the year
ended 31 August 2011
£'000*

Radnor House School in Twickenham, London

Loss before tax	(1,645)
Retained loss	(1,162)
Net assets	638

	<i>Holding</i>	<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
Company	Equity	4.6	160	356	1.2
	Loan stock	–	641	687	2.4
Prime	Equity	2.5	87	194	1.3
	Loan stock	–	350	375	2.5

Kensington Health Clubs Limited

*Accounts for the year
ended 30 September 2011
£'000*

37° health and fitness club at Olympia, London

Profit before tax	(817)
Retained profit	(817)
Net assets	322

	<i>Holding</i>	<i>Equity percentage (%)</i>	<i>Accounting cost (£'000)</i>	<i>Valuation (£'000)</i>	<i>Percentage of gross assets (%)</i>
Company	Equity	4.9	387	18	–
	Loan stock	–	737	747	2.6
Prime	Equity	4.9	387	18	0.1
	Loan stock	–	737	747	5.0

PART VII

TAX POSITION OF SHAREHOLDERS

The following paragraphs apply to the Company and to persons holding Shares as an investment who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to a tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive Shares under the Scheme.

The Company

The Company has obtained approval as a VCT under Chapter 3 of Part 6 ITA 2007.

The Board considers that the Company has conducted its affairs and will continue to do so to enable it to qualify as a VCT.

The Scheme

The effective exchange of existing Prime Shares for New Shares will not constitute a disposal of such shares for the purposes of UK taxation. Instead, the new holding of New Shares will be treated as having been acquired at the same time and at the same cost as the existing Prime Shares from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing Prime Shares will not, therefore, be crystallised for payment, but will be transferred to the New Shares.

For Prime Shareholders holding (together with their associates) more than 5 per cent. in the Prime Shares, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5 per cent. of the Prime Shares in issue will also apply to them.

The implementation of the Scheme will not affect the VCT status of the Company as a VCT or the reliefs obtained by Shareholders on subscription for existing Shares. Although the Company will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of the assets and liabilities of Prime (which form part of the merger costs being allocated to both the Company and Prime), no UK stamp duty or stamp duty reserve tax will be payable directly by Shareholders as a result of the implementation of the Scheme.

Shareholders not resident in the UK

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

PART VIII

TAX POSITION OF THE COMPANY

1. Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital listed on a regulated market;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70 per cent. by VCT Value of its investments in shares in Qualifying Investments, 30 per cent. of which must be eligible shares (70 per cent. for funds raised after 5 April 2011);
- (e) have at least 10 per cent. by VCT Value of each Qualifying Investment in eligible shares;
- (f) not have more than 15 per cent. by VCT Value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (g) not retain more than 15 per cent. of its income derived from shares and securities in any accounting period; and
- (h) not invest in a single company or group in excess of the annual limit.

The term 'eligible shares' means ordinary shares which carry no preferential rights to voting, dividends and assets on a winding up and no rights to be redeemed or, for funds raised after 5 April 2011, shares which do not carry any rights to be redeemed or a preferential right to assets on a winding-up or dividends (in respect of the latter, where the right to the dividend is cumulative or, where the amount or dates of payment of the dividend may be varied by the company, a shareholder or any other person).

2. Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying the conditions set out in Chapters 3 and 4 of Part 6 of ITA 2007.

The conditions are detailed, but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, apply the money raised for the purposes of a qualifying trade within certain time periods, not be controlled by another company, have fewer than 250 full-time (equivalent) employees and at the time of investment not obtain more than £5 million of investment from state aided risk capital measures in any rolling 12 month period. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

3. Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on PLUS and AIM) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter).

The company must have a permanent establishment in the UK, but the company need not be UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must, in most cases, be at least 51 per cent. owned.

4. Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such further funds become subject to the tests.

However, to aid the launch of a VCT, HMRC may give provisional approval if satisfied that conditions (b), (c), (f) and (g) in paragraph 1 above will be met throughout the current or subsequent accounting period and condition (d) in paragraph 1 above will be met in relation to an accounting period commencing no later than three years after the date of provisional approval.

The Company has obtained approval as a VCT from HMRC.

5. Withdrawal of approval

Approval of a VCT (full or provisional) may be withdrawn by HMRC if the various tests set out above are not satisfied. The exemption from corporation tax on capital gains will not apply to any gain realised after the point at which VCT status is lost.

Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

Withdrawal of provisional approval has effect as if provisional approval had never been given (including the requirement to pay corporation tax on prior gains).

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

PART IX

ADDITIONAL INFORMATION

1. THE COMPANY

- 1.1 The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 22 December 1995 with registered number 03142609 and the name Close Brothers Venture Capital Trust PLC. The Company changed its name to Albion Venture Capital Trust plc on 27 March 2009. The principal legislation under which the Company operates is CA 2006 (and regulations made thereunder). The legal and commercial name of the Company is Albion Venture Capital Trust plc. The Company is domiciled in England. The Company is not regulated by the FSA 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.
- 1.2 On 15 February 1996, the Registrar of Companies issued the Company with a trading certificate under Section 117 of CA 1985 (now Section 761 of CA 2006) entitling it to commence business.
- 1.3 The Company's registered office is at 1 King's Arms Yard, London EC2R 7AF. The Company is domiciled in England. The Company does not have, nor has it had since incorporation, any subsidiaries or employees.
- 1.4 The Company revoked its status as an investment company under Section 266 of CA 1985 (now Section 833 of CA 2006) on 11 May 2000.
- 1.5 The International Securities Identification Number of the Shares is GB0002039625.

2. SHARE CAPITAL

- 2.1 The authorised share capital of the Company on incorporation was £50,000 divided into 50,000 ordinary shares of £1 each, of which 2 ordinary shares of £1 each were issued fully paid to the subscribers to the memorandum of association of the Company.
- 2.2 On 2 February 1996 the ordinary shares were subdivided into Shares of 50 pence each and the authorised share capital was increased from £50,000 to £17,000,000 by the creation of 33,800,000 ordinary shares of 50 pence each and 50,000 redeemable preference shares of £1 each.
- 2.3 On 29 January 1997 the authorised share capital was increased from £17,000,000 to £34,000,000 by the creation of 34,000,000 C Shares of 50 pence each.
- 2.4 On 28 July 1999, the Company resolved that the share premium account of the Company be cancelled, such cancellation being confirmed by the Court on 17 September 1999.
- 2.5 On 31 May 2000 the Company C Shares merged into the Ordinary Shares on an equal basis and in accordance with the mechanism provided for by the articles of association.
- 2.6 Pursuant to Resolution 1 to be proposed at the General Meeting, the authorised share capital is being removed in its entirety from the Articles. Consequently, the Company will no longer be restricted by an authorised share capital.
- 2.7 As at 26 July 2012 (this being the latest practicable date prior to the publication of this document) the Company had 40,348,003 Shares in issue (all fully paid up), of which 3,277,373 Shares were held in treasury. The total voting rights of the Company as at 26 July 2012 (this being the latest practicable date prior to the publication of this document) was, therefore, 37,070,630.
- 2.8 There are no other shares or loan capital in the Company under option or agreed, conditionally or unconditionally, to be put under option.

2.9 The following resolutions were passed at the annual general meeting of the Company held on 18 July 2011:

2.9.1 that the Directors be generally and unconditionally authorised in accordance with section 551 of CA 2006 to allot shares in the Company up to a maximum aggregate nominal amount of £1,916,496 for ordinary shares, representing 10 per cent. of the issued ordinary share capital, such authority shall expire 18 months from the date of this resolution, or at the conclusion of the annual general meeting, whichever is earlier, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted after the expiry of such period and the Directors may allot shares pursuant to such an offer or agreement as if the authority had not expired;

2.9.2 that the Directors be empowered, pursuant to section 570 of CA 2006, to allot equity securities (within the meaning of section 560 of CA 2006) for cash as if section 561(1) of CA 2006 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) in connection with any dividend reinvestment scheme introduced and operated by the Company;
- (c) in connection with a top up offer outside of the Prospectus Rules; and
- (d) otherwise than pursuant to paragraphs (a) to (c) above, up to an aggregate nominal amount of £1,916,496 for ordinary shares,

and such authority shall expire 18 months from the date of this resolution, or at the conclusion of the annual general meeting, whichever is earlier, 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.

2.9.3 that the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of CA 2006) of Shares, 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 CA 2006, provided that:

- (a) the maximum number of Shares hereby authorised to be purchased is 14.99 per cent. of the Shares in issue as at the date of the passing of this resolution;
- (b) the minimum price, exclusive of any expenses, which may be paid for a Share is 50 pence;
- (c) the maximum price, exclusive of any expenses, which may be paid for each Share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for a Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day 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 at the end of the next annual general meeting, or eighteen months from the date of the passing of the resolution, whichever is earlier; 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.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), 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 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit Directors to sell treasury shares at a price not less than that at which they were purchased.

- 2.9.4 The Directors be empowered to sell treasury shares at the higher of the prevailing current share price and the price bought in at.
- 2.10 The following resolutions of the Company will be proposed at the Annual General Meeting of the Company to be held on 17 September 2012:
- 2.10.1 That the Directors be generally and unconditionally authorised in accordance with section 551 of CA 2006 to allot shares of nominal value 50 pence per share in the Company up to a aggregate nominal amount of £2,017,400 representing 10 per cent. of the total Share capital, such authority shall expire 18 months from the date of this resolution, or at the conclusion of the Annual General Meeting, whichever is earlier, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted after the expiry of such period and the Directors may allot shares pursuant to such an offer or agreement as if the authority had not expired.
- 2.10.2 That, subject to and conditional on the passing of the resolution at 2.10.1 above, the Directors be empowered, pursuant to section 570 of CA 2006, to allot equity securities (within the meaning of section 560 of CA 2006) for cash pursuant to the authority conferred as if section 561(1) of CA 2006 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) in connection with any dividend reinvestment scheme introduced and operated by the Company;
 - (c) in connection with a top up offer outside of the Prospectus Rules; and
 - (d) otherwise than pursuant to paragraphs (a) to (c) above, up to an aggregate nominal amount of £2,017,400 for Shares,

and such authority shall expire 18 months from the date of this resolution, or at the conclusion of the Annual General Meeting, whichever is earlier, 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 shares which is an allotment of equity securities by virtue of section 560(2)(b) of CA 2006 as if in the first paragraph of the resolution the words “subject and conditional on the passing of the resolution at 2.10.1 above were omitted.

- 2.10.3 That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of CA 2006) of Shares, 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 CA 2006, provided that:
- (a) the maximum number of Shares hereby authorised to be purchased is 14.99 per cent. of the Shares in issue as at the date of the passing of this resolution;
 - (b) the minimum price, exclusive of any expenses, which may be paid for a Share is 50 pence;
 - (c) the maximum price, exclusive of any expenses, which may be paid for each Share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for a Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day 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 at the end of the next annual general meeting, or eighteen months from the date of the passing of the resolution, whichever is earlier; 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.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), Ordinary 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 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit Directors to sell treasury shares at a price not less than that at which they were purchased.

2.10.4 That the Directors be empowered to sell treasury shares at the higher of the prevailing current share price and the price bought in at.

2.11 The following resolutions of the Company will be proposed at the General Meeting of the Company to be held on 17 September 2012:

2.11.1 That, subject to the Scheme becoming unconditional:

- (i) the acquisition of the assets and liabilities of Prime on the terms set out in the Circular be approved;
- (ii) in addition to existing authorities, the directors of the Company be authorised in accordance with Section 551 of CA 2006 to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £12,500,000 in connection with the Scheme provided that the authority conferred by this paragraph (ii) shall expire on the date falling 18 months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting); and
- (iii) the existing articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of CA 2006, are to be treated as provisions of its articles of association.

2.11.2 That in addition to existing authorities and the authority conferred by paragraph 2.11.1, the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the CA 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £3,267,400, provided that, the authority conferred by this paragraph (i) shall expire on the conclusion of the annual general meeting of the Company to be held in 2013 (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry.

2.11.3 That in addition to existing authorities, the directors of the Company be and hereby are empowered pursuant to Sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority conferred or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to such allotment, provided that the power provided by this resolution shall expire on the conclusion of the annual general meeting of the Company to be held in 2013 (unless renewed, varied or revoked by the Company in general meeting) and provided further that this power shall be limited to the allotment and issue of shares up to an aggregate nominal value representing 10 per cent. of the issued share capital of the Company from time to time, where the proceeds may in whole or part be used to purchase shares.

2.11.4 That in addition to existing authorities, the Company be and hereby is empowered to make one or more market purchases within the meaning of Section 693(4) of the Act of its own shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:

- (a) the aggregate number of shares which may be purchased shall not exceed 9,795,666 (representing 14.99 per cent. of the maximum expected issued share capital following implementation of the Scheme);
- (b) the minimum price which may be paid per share is the nominal value thereof;
- (c) the maximum price which may be paid per share is an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotation per share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased; and (ii) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
- (d) the authority conferred by this resolution shall expire on the conclusion of the annual general meeting of the Company to be held in 2013 (unless renewed, varied or revoked by the Company in general meeting); and
- (e) the Company may make a contract to purchase shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such shares.

2.11.5 That:

- (a) the share capital of the Company (subject to the sanction of the Court) be reduced by cancelling and extinguishing 49 pence of the amount paid up or credit as paid up on each of the ordinary shares of 50 pence each in the capital of the Company which are in issue at 6.00 p.m. on the day before the date on which an order is made confirming such cancellation by the Court;
- (b) the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled; and
- (c) the amount standing to the credit of the capital redemption reserve of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled.

3. MEMORANDUM AND ARTICLES OF ASSOCIATION

In this paragraph 3, reference to 'Directors' means the directors of the Company from time to time, reference to the 'Board' means the board of directors of the Company from time to time and reference to 'Act' means CA 2006.

Memorandum

The Memorandum, which, by virtue of Section 28 of CA 2006, is now treated as being part of the Articles, provides that the Company's principal object and purpose is to carry on the business of a VCT. The objects of the Company are set out in full in clause 4 of the Memorandum.

Articles

The following is a summary of the current Articles. Pursuant to certain resolutions being proposed at the Annual General Meeting and the General Meeting, the Articles are subject to amendment as detailed accordingly in the summary below. Statutory references are subject to updates from time to time:

3.1 **Share capital**

3.1.1 *Authorised share capital*

Under CA 2006, the objects clause and all other provisions which are currently contained in the Memorandum, are from 1 October 2009, deemed to be contained in the Articles. Pursuant to Resolution 1 to be proposed at the General Meeting, the authorised share capital is being removed in its entirety from the Articles. Consequently, the Company will no longer be restricted by an authorised share capital.

3.1.2 *Rights attached to shares*

Subject to the provisions of the Statutes and to any special rights conferred on the holders of any other shares, any share may be issued with such rights and restrictions as the Company may decide by ordinary resolution or, where no resolution has been passed, as the Board may decide.

3.1.3 *Power to allot shares*

Subject to the provisions of the Statutes the Board may allot or grant rights to subscribe for new shares.

3.1.4 *Power to pay commission and brokerage*

In connection with the issue of any shares the Company may exercise all powers of paying commission and brokerage conferred or permitted by the Statutes.

3.1.5 *Power to consolidate, sub-divide and cancel share capital*

3.1.5.1 The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares; and
- (b) sub-divide its shares or any of them into shares of smaller nominal value.

3.1.5.2 A resolution to sub-divide shares may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, qualified, deferred or other special rights or be subject to any such restrictions, as compared with the others, as the Company has power to attach to new shares.

If, as a result of any consolidation of shares, any members would become entitled to fractions of a share, the Board may deal with such fractions as it thinks fit.

3.1.6 *Power to issue redeemable shares*

Subject to the provisions of the Statutes, the Company may issue shares which are liable to be redeemed at the option of the Company or the shareholder.

3.1.7 *Power to purchase own shares*

Subject to the provisions of the Statutes, the Company may purchase all or any of its shares of any class, including any redeemable shares and may hold such shares as treasury shares or cancel them.

3.1.8 *Power to reduce capital*

Subject to the provisions of the Statutes and to any rights conferred on the holders of any class of shares, the Company may by special resolution reduce its share capital, capital redemption reserve, share premium account or other undistributable reserve in any way.

3.2 **Variation of rights**

3.2.1 Where the capital of the Company is divided into shares of different classes any of the rights for the time being attached to any class of shares in issue (whether or not the Company is being wound up) may be varied in such manner (if any) as may be provided by such rights or with the consent in writing of the holders of three-fourths of the issued shares of that class (excluding treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

3.2.2 All the provisions in the Articles as to general meetings shall *mutatis mutandis* apply to every meeting of the holders of any class of shares save that the quorum at every such meeting shall be not less than two persons holding or representing by proxy at least one-third of the issued shares of the class (excluding treasury shares); at any adjourned meeting of such holders, two persons holding shares of the class who are present in person or by proxy shall be a quorum; every holder of shares of the class present in person or by proxy may demand a poll; and each such holder shall be entitled to one vote for every share of the class held by him.

3.3 **Calls on and forfeiture of shares**

Subject to the terms of allotment, the Board may make calls on members for monies unpaid on any shares. If any call remains unpaid after the date for payment (being at least 14 clear days following the call) then the Board may, after giving not less than 7 clear days' notice, forfeit such share and sell or transfer such forfeited shares on such terms as the board may determine.

3.4 **Untraced members**

3.4.1 The Company may sell at the best price reasonably obtainable any share of a member or any share to which a person is entitled by transmission if and provided that:

- (a) during the period of 12 years prior to the date of the publication of the advertisements referred to below ("Relevant Period") at least three dividends have been paid, but not cashed, in accordance with the Articles in respect of the share to be sold and no dividend has been claimed in respect of such share;
- (b) during the Relevant Period no communication has been received by the Company from the member or person entitled by transmission to the share;
- (c) after expiry of the Relevant Period the Company has published notice of its intention to sell the share in both a national newspaper and in a newspaper circulating in the area in which the last known address of such member or person appeared; and
- (d) during the further period of three months following the date of publication of the said advertisements and after that period until the exercise of the power to sell the share, the Company has not received communication from the member or person entitled by transmission to the share.

3.4.2 The Company may also sell any shares issued by way of right before the publication of the first advertisement referred to above provided that the conditions above have been satisfied in relation to the shares since the date of allotment.

3.4.3 To give effect to any sale of the shares the Board may authorise some person to transfer the share to, or in accordance with the directions of, the purchaser. The new holder of the share shall not be bound to see to the application of the purchase money nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the sale.

3.5 **Transfer of shares**

3.5.1 *Right to transfer*

Subject to the Articles, a member may transfer any of his shares in a manner which is permitted by the Statutes or in any other manner which is from time to time approved by the Board.

3.5.2 *Transfer of certificated shares*

The transfer of a certificated share shall be in writing in the usual form or in any form permitted by the Statutes or approved by the Board. The instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

3.5.3 *Transfer of uncertificated shares*

Subject to the Articles, a member may transfer an uncertificated share by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved by the Board.

3.5.4 *Power to refuse registration of transfer of certificated shares*

The Board may in its absolute discretion refuse to register any share transfer of a certificated share unless:

- (a) it is in respect of a share which is fully paid up provided that in the case of part paid shares such discretion may not be exercised in such a way as to prevent dealings in shares admitted to the Official List from taking place on an open and proper basis;
- (b) it is in respect of only one class of shares;
- (c) it is in favour of a single transferee or not more than four joint transferees;
- (d) it is duly stamped (if so required); and
- (e) it is deposited at the registered office of the Company, or such other place as the Board may appoint, accompanied by the certificate for the shares to which it relates if it has been issued and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

3.5.5 *Refusal of registration of transfers of uncertificated shares*

The Board may refuse to register any transfer of an uncertificated share where permitted by The Uncertificated Securities Regulations 2001 (SI 2001 No 3755) ("Regulations").

3.5.6 *Other provisions on transfers*

The transferor shall be deemed to remain the holder of the shares transferred until the name of the transferee is entered in the register in respect of those shares.

3.6 ***Uncertificated shares***

3.6.1 Any share may be issued, held, registered or converted to or transferred in uncertificated form and may be converted from uncertificated form to certificated form in accordance with the Regulations and the requirements and practices of the operator of the relevant system.

3.6.2 The Board may resolve that a class of shares is to become or shall cease to be a participating security.

3.7 ***Disclosure of interest in shares***

If any shareholder, or any other person appearing to be interested in any share, has been served with a notice under Section 793 CA 2006 in respect of such shares (or any further shares which are issued in respect of such default shares) ("default shares") and is in default for a period of 14 days from the date of service of the notice in supplying to the Company the information thereby required, then the following restrictions shall apply to the default shares for a period specified by the Board (being a period ending not later than 7 days after the earliest of compliance with the notice or receipt by the Company of notice that the shareholding has been sold to a third party pursuant to any arm's length transfer):

- (a) the holder of the default shares shall not be entitled to attend or vote on any question, either in person or by proxy, at any general meeting of the Company; and

- (b) If the default shares represent at least 0.25 per cent. of the issued shares of the same class the holder of the default shares shall not be entitled to receive any dividend (including shares issued in lieu of dividend) or to transfer any of the shares (other than by way of an arm's length transfer).

3.8 **General meetings (notice, proceedings, votes of members)**

3.8.1 *Convening of general meetings*

The Board shall convene annual general meetings and may convene other general meetings whenever it thinks fit. A general meeting shall also be convened on such requisition or in default may be convened by such requisitions as provided by the Statutes. In respect of such meetings the Board shall comply with the Statutes in respect of the circulation of notices of the resolutions and matters proposed or business to be dealt with. The Board may make arrangements to ensure the orderly conduct of general meetings and to preserve the security of attendees.

3.8.2 *Notice of general meeting*

3.8.2.1 General meetings shall be convened by the minimum period of notice required under the Statutes for the type of matter concerned. Every notice convening a general meeting shall specify:

- (a) the place, the day and the time of the meeting;
- (b) the general nature of the business to be transacted; and
- (c) with reasonable prominence that a member entitled to attend, speak and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him and that a proxy need not also be a member.

3.8.2.2 Notice of every general meeting shall be given to all members (other than those not entitled by terms of the Articles or the shares they hold), auditors and directors.

3.8.3 *Omission or non-receipt of notice*

The accidental omission to send a notice of meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy or any other document, to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

3.8.4 *Quorum at general meetings*

3.8.4.1 No business, other than the appointment of a Chairman, shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

3.8.4.2 If within 15 minutes (or such longer interval not exceeding 1 hour, as the chairman may decide to wait) from the time appointed for the holding of a general meeting a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or such other time and place as the Board may decide and in the latter case not less than seven clear days' notice being given. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting one member present in person or by proxy and entitled to vote shall be a quorum.

3.8.5 *Method of voting*

At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands unless (before or immediately after the declaration of the result of the show of hands

or on the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded by:

- (a) the chairman of the meeting;
- (b) not less than five members present in person or by proxy having the right to vote on the resolution;
- (c) a member or members present in person or by proxy representing in aggregate not less than 10 per cent. of the total voting rights of all the members having the right to vote on the resolution;
- (d) a member or members present in person or by proxy holding shares conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right; or
- (e) any member present in person/by proxy in the case of a resolution to confer, vary, revoke or renew authority or approval for an off market purchase by the Company of its own shares.

3.8.6 *Voting rights*

Subject to the provisions of the Articles and to any special voting rights or restrictions as to voting for the time being attached to any shares:

- (a) On a show of hands, every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, shall have one vote; and
- (b) On a poll, every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, shall have one vote for every share held by such member.

3.9 **Directors**

3.9.1 *Number of directors*

Unless otherwise determined by an ordinary resolution the minimum number of directors shall be two with no maximum.

3.9.2 *Appointment*

3.9.2.1 Directors may be appointed by ordinary resolution or by the Board. No person (other than a director retiring by rotation) shall be appointed or re-appointed unless he is recommended by the Board or not less than 7 nor more than 42 days before the date of the meeting (at which the director is to be appointed) notice of a member's proposed resolution for the appointment of the prospective director be included in the Company's register of directors.

3.9.2.2 A director appointed by the Board shall hold office only until the next following annual general meeting.

3.9.3 *Retiring of directors*

3.9.3.1 At every annual general meeting, there shall retire from office:

- (a) any director appointed by the board since the last general meeting;
- (b) one third of the directors or if their number is not an exact multiple of 3, then the number nearest to, but not less than, one third; and
- (c) any director not required to retire by rotation who has been in office for at least three years since his appointment or last re-appointment.

3.9.3.2 A retiring director shall be eligible for re-appointment. A director retiring at a meeting shall, if he is not re-appointed at such meeting, retain office until the meeting appoints someone in his place, or if it does not do so, until the conclusion of such meeting.

3.9.4 *Removal of directors*

A director may be removed from office by:

- (a) an ordinary resolution of the Company, subject to special notice being given in accordance with the Statutes; and
- (b) the service on him of a notice to that effect signed by all the other directors.

3.9.5 *Alternate directors*

Each director may appoint as an alternate director any other willing person (subject to the appointment as an alternate director of any person who is not himself a director, being approved by majority decision or a resolution of the Board) and terminate such appointment.

3.9.6 *Remuneration*

The directors (excluding those holding executive employment with the Company or one of its subsidiaries) shall be entitled to be paid fees for their services as directors, but not exceeding £100,000 (or such larger amount as the Company may determine by ordinary resolution) per annum. The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company.

3.10 ***Powers of the Board of directors***

3.10.1 *General power*

Subject as provided in the Articles and Statutes, the Board may exercise all the powers of the Company.

3.10.2 *Borrowing powers*

3.10.2.1 The Board shall restrict the borrowings of the Company and shall so far as possible by the exercise of the Company's voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries secure that they restrict their borrowings, so that the aggregate outstanding borrowings of the Group shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 10 per cent. of the Adjusted Capital and Reserves (as defined below);

3.10.2.2 "Adjusted Capital and Reserves" means the aggregate of the amount paid up (or credited as paid up) on the issued share capital of the Company and the amount standing to the credit of each of the consolidated capital and revenue reserves (including any share premium account, capital redemption reserve, revaluation reserve, and any amount standing to the credit of the profit and loss account) of the Group, but adjusted as may be appropriate to take account of:

- (a) any variation in the paid up share capital share premium account or capital redemption reserve of the Company since the date of the relevant balance sheet and so that for the purpose of making such adjustments, if any proposed issue of shares by the Company for cash has been underwritten, then such shares shall be deemed to have been issued and the amount (including the premium) of the subscription money shall be deemed to have been paid up to the extent so underwritten on the date when the issue of such shares was underwritten;
- (b) any variation since the date of the relevant balance sheet in respect of the companies comprising the Group; and
- (c) any other factor deemed relevant by the directors or auditors;

3.10.2.3 "Money borrowed means:

- (a) The nominal amount and any fixed or minimum premium payable on redemption or repayment or any debentures or loan capital issued by any member of the Group;
- (b) the nominal amount of any issued share capital and the principal amount of any money borrowed, the right to redemption or repayment of which is guaranteed or secured by an indemnity by a Group company except in so far as such money is otherwise taken into account by the Company or a Subsidiary;

but does not include:

- (c) money borrowed by a member of the Group from another member other than below under paragraph 3.10.2.3(e);
- (d) any money borrowed intended to be applied within four months of being borrowed in the repayment of any money previously borrowed pending its application for such purpose within that period; or
- (e) that proportion of total money borrowed by any partly-owned subsidiary which its issued equity share capital not for the time being beneficially owned directly or indirectly by the Company bears to the whole of its issued equity share capital but a like proportion of any borrowings from such partly-owned subsidiary by the Company or any other Subsidiary shall fall to be treated as borrowings of the Company or such other subsidiary notwithstanding the same would not otherwise be taken into account.

3.10.2.4 To calculate the amount of money borrowed, gross amount of money borrowed is to be credited against:

- (a) cash in hand of the Group;
- (b) realisable value of certificates of deposit and securities of governments/ companies owned by Group companies; and
- (c) cash deposits and the credit balance on each of the Group's current accounts with banks in the UK or elsewhere.

3.10.2.5 No person dealing with the Company shall be concerned to see or enquire whether such limit is observed and no debt incurred or security given in excess of the limit imposed by this article shall be invalid or ineffectual.

3.10.2.6 A report by the auditors of the Company or any of its subsidiaries as to the amount of Adjusted Capital and Reserves or the amount of money borrowed or to the effect that the limit imposed by this Article has not been or will not be exceeded at any particular time or times shall be conclusive evidence of the amount or of that fact.

3.11 Directors' interests

3.11.1 *Directors' interests and voting*

3.11.1.1 Subject to the Statutes, a director will not be disqualified from contracting with the Company, either with regard to his tenure or position in the management, administration or conduct of the Company or as vendor/purchaser or otherwise.

3.11.1.2 A director may hold any other office or place of profit under the Company (except that of auditor) in conjunction with the office of director for such period (subject to the provisions of the Statutes) and upon such terms as the Board may decide, and be paid such extra remuneration for so doing as the Board may decide.

3.11.1.3 A director may be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in any other company in which the Company may be interested and shall not be liable to account to the Company for

any benefit which he receives as a member or director of, or holder of any other office or place of profit under, or his other interest in, that company.

3.11.1.4 A director may act by himself or through his firm in a professional capacity for the Company (except as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.

3.11.1.5 A director shall declare the nature of any interest, direct or indirect, which he may have in any contract with the Company at the board meeting at which the contract is first considered, if the interest exists, or the first meeting of the Board after he became interested.

3.11.1.6 A director shall not vote (or be counted in the quorum of the board meeting) in respect of any resolution regarding his own appointment or termination, as holder of any office or place of profit with the Company (or other company in which the company is interested). Where proposals for such appointment/termination concern more than one director, they can be resolved or voted on separately, with each director being entitled to vote except in respect of their own appointment or termination.

3.11.1.7 A director shall not vote (or attend or be counted in the quorum) in relation to a transaction or arrangement with the Company in which he is interested, save:

(a) where the other directors resolve that the director concerned should be entitled to do so in circumstances where they are satisfied that the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or

(b) in any of the following circumstances:

(i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) any contract concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be entitled to, participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(iv) any contract in which he is interested by virtue of his interest in shares, debentures, or other securities of the Company or otherwise in or through the Company;

(v) any contract concerning any other company in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, unless the company is one in which he has a relevant interest for this purpose:

(1) a company shall be deemed to be one in which a director has a relevant interest if and so long as he (together with persons connected with him within the meaning of sections 252 to 255 of the CA 2006) to his knowledge holds an interest in shares (as determined pursuant to sections 820 to 825 of the CA 2006)¹ representing 1 per cent. or more of any class of the equity share capital of that company or of the voting rights available to members of that company or if he can cause 1 per cent. or more of those voting rights to be exercised at his direction; and

(2) where a company in which a director is deemed for the purposes of this article to have a relevant interest is materially interested in

a contract, he shall also be deemed to be materially interested in that contract

- (vi) any contract relating to an arrangement for the benefit of employees of the Company or subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangements relates; and
- (vii) any proposal concerning the purchase or maintenance of insurance for the benefit of any persons including directors.

3.11.1.8 If any question shall arise at any meeting as to materiality of an interest or as to the entitlement of any director to vote such question shall be referred to the chairman of the meeting and his ruling in relation to any director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed. Questions arising in respect of the chairman shall be decided by resolution of the Board, if the chairman does not voluntarily agree to abstain from voting.

3.11.2 *Authorisation of Directors' interests*

3.11.2.1 A "conflict of interest" means, in relation to any person, an interest or duty which that person has which directly or indirectly conflicts or may conflict with the interests of the Company or the duties owed by that person to the Company but excludes a conflict of interest arising in relation to a transaction or arrangement with the Company (to which the provisions of the Article apply).

3.11.2.2 Where a situation occurs or is anticipated to occur which gives rise or may give rise to a conflict of interest on the part of any director ("Conflicted Director") (other than a situation which cannot reasonably be regarded as likely to give rise to a conflict of interest), the matter shall be referred to the directors other than the Conflicted Director (the "Non-Conflicted Directors").

3.11.2.3 The Non-Conflicted Directors shall meet to consider the matter as soon as practicable after the matter is referred to them and they have received all relevant particulars relating to the situation. The quorum for a meeting of the Non-Conflicted Directors shall be the same as for a meeting of the board.

3.11.2.4 The Non-Conflicted Directors shall have authority to authorise any matter which gives rise to the conflict of interest concerned on such terms as they think fit. Any terms on which the matter in question is authorised may be varied by the Non-Conflicted Directors from time to time and the Non-Conflicted Directors may revoke such authority at any time insofar as it has not already been acted on. The Non-Conflicted Directors shall communicate their decisions promptly to each Conflicted Director.

3.11.2.5 A Conflicted Director shall not be entitled to any information which is relevant to the matter giving rise to the conflict of interest except to the extent authorised by the Non-Conflicted Directors.

3.11.2.6 Where a matter giving rise to a conflict of interest is authorised by the Non-Conflicted Directors, the Conflicted Director shall:

- (a) be released from any duty to disclose to the Company any confidential information relating to the matter in question which he receives or has received from a third party; and
- (b) save as otherwise determined by the Non-Conflicted Directors at the time when they authorise the matter, not be accountable to the Company for any benefit which he derives from such matter (excluding a benefit conferred on the director by a third party by reason of his being a director of the Company or by reason of his doing or not doing anything as a director of the Company).

3.11.2.7 Any confidential information which a Conflicted Director has received from the Company or in his capacity as a director of the Company shall not be disclosed by him to any third party except insofar as permitted by the Non-Conflicted Directors.

3.11.2.8 The directors may authorise a matter which may give rise to a conflict of interest on the part of a person who is proposed to be appointed as a director to the board and any authorisation of such matter by the directors shall apply in relation to such person on his appointment as a director.

3.12 ***Proceedings of the Board of directors***

3.12.1 *Quorum*

3.12.1.1 The Board may meet, adjourn and regulate its meetings as it sees fit. The quorum necessary for the transaction of business of the Board may be fixed by the Board and unless so fixed shall be two.

3.12.1.2 If a board meeting is inquorate it shall stand adjourned for one week to the same time and place.

3.12.2 *Voting*

Questions arising at board meetings are decided by a majority vote. In the event of a tie, the chairman shall have a second or casting vote.

3.13 ***Dividends and other payments***

3.13.1 *Declaration of dividends by the Company*

The Company may by ordinary resolution declare that a dividend be paid to members according to their respective rights and interests in the profits of the Company, and may fix the time for payment, but no dividend shall exceed the amount recommended by the Board.

3.13.2 *Fixed and interim dividends*

The Board may pay such interim dividends as appear justifiable by the Company's financial position, and pay any dividend at a fixed rate at intervals agreed by the Board whenever the financial position justifies payment in the Board's opinion.

3.13.3 *Calculation and currency*

3.13.3.1 Except as otherwise provided by the rights attaching to, or the terms of issue of, any shares:

- (a) all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid;
- (b) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid;
- (c) dividends can be declared/paid in any currency; and
- (d) if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date it shall rank for or be entitled to dividends accordingly.

3.13.4 *Scrip dividends*

The board may with the sanction of an ordinary resolution of the Company offer members the right to elect to receive shares credited as fully paid up in lieu of a cash dividend.

3.13.5 *Distribution of realised capital profits*

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the registrar of companies of its intention to carry on business as an investment company (a "Relevant Period") distribution of the Company's capital profits (within the meaning of Section 833 of the Act) shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of these Articles during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as per Section 830(2) of the Act) or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution or be applied in paying dividends on any shares in the Company.

3.14 ***Winding up***

3.14.1 *Powers to distribute*

If the Company is in liquidation, the liquidator may, with the sanction of a special resolution of the Company and the Statutes, divide among the Company's shareholders the whole or any part of the Company's assets or vest them in trustees upon such trusts for the benefit of members as the liquidator shall think fit.

3.14.2 *Duration of the Company*

3.14.2.1 The Board shall at the annual general meeting of the Company to be held in 2012, and thereafter at each fifth annual general meeting thereafter, propose an ordinary resolution to the effect that the Company should continue as a venture capital trust and if such resolution is not passed the Board shall within 4 months of that meeting convene a general meeting to propose either or both of the following:

- (a) a special resolution for the reorganisation or reconstruction of the Company;
or
- (b) a special resolution to wind up the Company voluntarily.

3.14.2.2 If neither special resolution (a) or (b) is passed the Company shall continue as a VCT.

3.14.2.3 Pursuant to resolution 8 to be proposed at the Annual General Meeting, the reference to "2012" in paragraph 3.14.2.1 will be amended to "2017".

3.15 ***Indemnity and directors liability insurance***

The Company shall indemnify the directors to the extent permitted by law and may take out and maintain insurance for the benefit of the directors.

4. MATERIAL SHAREHOLDERS, DIRECTORS AND THEIR INTERESTS

4.1 As at 26 July 2012 (this being the latest practicable date prior to the publication of this document), J M Finn Nominees held 2,159,003 Shares (representing approximately 5.82 per cent. of the Company's total voting rights and 5.35 per cent. of the Company's issued share capital (including Shares held in treasury)). Based on the merger illustrations set out in Part I of this document, it is expected that J M Finn Nominees will hold 2,159,003 Shares and Pershing Nominees Limited will hold 2,005,728 Shares following completion of the merger, representing 3.82 per cent. and 3.55 per cent. (respectively) of the expected total voting rights of the Enlarged Company. Save as set out above, the Company is not aware of any person who, immediately following the issue of the New Shares pursuant to the Scheme, directly or indirectly, has or will have 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 FSA, a holding of 3 per cent. or more must be notified to the Company).

4.2 As at 26 July 2012 (this being the latest practicable date prior to the publication of this document), the interests of the Directors (and their immediate families) and the directors of Prime in the issued share capital of the Company and Prime were as follows:

	<i>Company</i>	<i>% of</i>		<i>Prime</i>
	<i>Shares</i>	<i>issued voting</i>	<i>Prime Shares</i>	<i>% of issued</i>
		<i>share capital</i>		<i>Prime voting</i>
				<i>share capital</i>
David Watkins	10,000	0.03	–	–
John Kerr	13,109	0.04	–	–
Jonathan Rounce	6,637	0.02	4,892	0.02
Jeff Warren	20,000	0.05	–	–
Martin Bralsford	–	–	30,000	0.14
Ebbe Dinesen	1,883	0.01	11,250	0.05
Modwenna Rees-Mogg	–	–	5,000	0.02
Patrick Reeve	23,666	0.06	21,777	0.10

4.3 As at 26 July 2012 (this being the latest practicable date prior to the publication of this document) save as disclosed above, no Director, his family or any person connected to the Director within the meaning of s.252 CA 2006 has any interest in the share or loan capital of the Company.

4.4 Aggregate Directors' emoluments for the current year (assuming the merger does not take place) are expected to be £80,000 (excluding applicable employer's National Insurance Contributions) whilst details of Directors' emoluments for the year ended 31 March 2012 are in the table below.

4.5 Details of the Directors' appointments are as follows:

<i>Director</i>	<i>Date of</i>	<i>Date of</i>	<i>Annual</i>	<i>Year to</i>
	<i>appointment</i>	<i>appointment</i>	<i>remuneration**</i>	<i>31 March 2012</i>
		<i>letter*</i>		<i>remuneration***</i>
David Watkins	9 February 1996	9 February 1996	£20,000	£20,000
John Kerr	9 February 1996	9 February 1996	£20,000	£20,000
Jonathan Rounce	21 June 2010	21 June 2010	£20,000	£20,000
Jeff Warren	2 October 2007	20 October 2007	£20,000	£20,000

* The Directors have been appointed pursuant to appointment letters which do not require either party to give any form of notice before termination of the appointment (respectively).

** No arrangements have been entered into by the Company entitling the Directors to compensation for loss of office nor have any amounts been set aside to provide pension, retirement or similar benefits.

*** Exclusive of applicable employers National Insurance Contributions.

Assuming the merger is effected, the Proposed Director will be appointed pursuant to an appointment letter on the same terms as the other Directors, with an annual remuneration of £20,000.

- 4.6 Save in respect of John Kerr, who is a director (until 30 September 2012) and shareholder of Albion Income & Growth VCT PLC, a fund managed by Albion and a member of the investment committee of Albion, there are no potential conflicts of interest between the duties of any Director and their private interests and/or duties nor are any such conflicts envisaged on the appointment of the Proposed Director should the Scheme become effective.
- 4.7 No loan or guarantee has been granted or provided to or for the benefit of any of the Directors.
- 4.8 The Company has taken out directors' and officers' liability insurance for the benefit of its Directors, which is renewable on an annual basis.
- 4.9 The Directors and the Proposed Director are currently or have been within the last five years, a member of the administrative, management or supervisory bodies or partners of the companies and partnerships mentioned below:

John Kerr – current directorships

Albion Income & Growth VCT plc	Dilbey Limited
Albion Venture Capital Trust plc	Farley House Limited

John Kerr has no past directorships in the last five years

Jeffrey Warren – current directorships

Albion Venture Capital Trust plc	Orbel Health Limited
Citysocialising Ltd	

Jeffrey Warren – past directorships in the last five years

Oxford Biotherapeutics Ltd	Raiseuk.com Limited*
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Jonathan Rounce – current directorships

Albion Venture Capital Trust plc	Petersham Group Limited
Betavale Limited	Petersham Racing Ltd
Life Unlimited Foundation	

Jonathan Rounce has no past directorships in the last five years

David Watkins – current directorships

Albion Venture Capital Trust plc

David Watkins – past directorships in the last five years

A Winter Developments Limited	MJSW73 Developments Limited
A Winter Sladen (No. 2) Developments Limited	ML Property Developments Limited
Abbeymajor Limited	Monabri Developments Limited
AD Mcvey Developments Limited	Morag Frost No.1 Developments Limited
Alan Goldfinch Developments Limited	Morag Frost No.2 Developments Limited
Alan Jack Burgoine Developments Unlimited	Morag Frost No.3 Developments Limited
(Dissolved)*	Morag Frost No.4 Developments Limited
Albion Income & Growth VCT plc	Morag Frost No.5 Developments Limited
Anderson (Gillian) Developments Limited	Morag Frost No. 6 Developments Limited
Anderson (Gordon) Developments Limited	Morag Frost No.7 Developments Limited
Andrew & Joan Quinlan Developments Limited	Morley Kay Developments Limited
Annette Crane Developments Limited	Mowana Property Developments Limited
Antiquary Developments Limited	Mr J Johnston No.1 Commercial Developments Limited
Askes Developments Limited	Mr J Johnston No.2 Commercial Developments Limited
Aubrey Developments Limited	Mr J Johnston No.3 Commercial Developments Limited
B L Prestwich No.1 Developments Limited	Mr J Johnston No.4 Commercial Developments Limited
B L Prestwich No.2 Developments Limited	
Barga Developments Limited	
Bernard Kelly Developments Limited	
Brico Developments Limited	

David Watkins – past directorships in the last five years (continued)

Budenberg Developments Limited	Mr J Johnston No.5 Commercial Developments Limited
BWC Malson Developments Limited	Mr Oblong Developments Limited
C.P. Cotterill Developments Limited	Mr S.C. Hadley Developments Limited
Cameron Business Developments Limited	Mrs D Ball Developments Limited
Carole Ann Chambers Developments Unlimited (Dissolved)*	Mrs E Trent Developments Limited
Catherine Hitchcock Developments Limited	Mrs J M Spruytenburg Developments Limited
CB Casbolt Developments Limited	Mrs M Johnston No.1 Commercial Developments Limited
Cedar Developments (CGT) Limited	Mrs M Johnston No.2 Commercial Developments Limited
CGT Developments Limited	Mrs M Johnston No.3 Commercial Developments Limited
CGT Developments II Limited	Mrs M Johnston No.4 Commercial Developments Limited
CGT Developments IV Limited	Mrs M Johnston No.5 Commercial Developments Limited
CGT Developments XII Limited	Mrs M.D. Hadley Developments Limited
CGT Developments XIV Limited	Mrs P Thompson Developments Limited
CGT Developments XV Limited	Muirhead Developments Limited
CGT Developments XIX Limited	Murray Cowan Developments Limited
CGT Developments XXIII Limited	Narcoossee Developments Limited
CGT Developments XXVII Limited	Netta Appleton Developments Limited
Chalwaye Property Developments Limited	Norden Hill Developments Limited
Cleebronn Developments Limited	O & J Developments Limited
Cleobury Developments Limited	Paddock End Developments Limited
Cobra Bournemouth Developments Limited	Panilodge Limited (Dissolved)*
Coltman property Developments Limited	Paul Development (Dissolved)*
Colyer Developments Limited	PBEA 1 Developments Limited
Coniston Way Developments Limited	PBEA 2 Developments Limited
Copeland Property Developments Limited	PBEA 3 Developments Limited
Croy Road Developments Limited	PBEA 4 Developments Limited
D Huckerby Developments Limited	PBEA 5 Developments Limited
D. Nockels Developments Limited	Peggy & Barbara Development Limited
D.J. Coral Developments Limited	Peggy & Harry Development Limited
DAK Developments Limited	Peggy & Peter Development Limited
David Yates Developments Limited	Peggy & Thomas Development Limited
DJ & EM Rooke Property Developments Limited	Penny Developments Limited
Doreen Hanna Developments Limited	Perrins (CGH) Developments Limited (Dissolved)*
Drayton Estates Limited	Perrins (DMN) Developments Limited
E.E. Wilcox First Developments Limited	Perrins (DMN) Developments Limited
E.E. Wilcox Second Developments Limited	Perrins (GAH) Developments Limited
E.E. Wilcox Third Developments Limited	Perrins (MBH) Developments Limited (Dissolved)*
E.J. Drake Developments Limited.	Perrins (PJM) Developments Limited (Dissolved)*
Effie Developments Limited	Peteheat Developments Limited
Elizabeth Hilditch Developments Limited	Peter Edward Goodland Developments (Dissolved)*
Enid Krygier Developments Limited	Peter Heaney 1 Developments Limited
Eric Hutchinson Development Limited	Peter Heaney 2 Developments Limited
Excelsior Developments Limited	Peter Heaney 3 Developments Limited
Fingrith Developments Limited	Peter Heaney 4 Developments Limited
Florence Mary Holgate Crowe Developments Limited (Dissolved)*	Peter Heaney 5 Developments Limited
Forbes Andrew Developments Limited	Peter Heaney 6 Developments Limited
Forrest Glen Developments Limited	Peter Heaney 7 Developments Limited
Frances Scorah Developments Limited	Peter Heaney 8 Developments Limited
G.M. Tillyard Developments Limited	Peter Heaney 9 Developments Limited
Gale Park Developments Limited	Peter Heaney 10 Developments Limited
Garnell Property Developments Limited (Dissolved)*	Pettitt Developments Limited
Gaynor Developments Limited	Phyllis Mary Pilkington Developments Limited
George Bennet Developments Limited	
Gertrude Commercial Developments Limited	
Giles Kingswood Developments (Dissolved)*	

David Watkins – past directorships in the last five years (continued)

Glenister Estates Developments Limited	PRMC Developments Limited
Gray Property Developments Limited	Public House Developments Limited
Grey Alders Developments Limited	Pusey CCS Developments Limited
Hames Developments Limited	Pussinboots Developments Limited
Harewood Drive Developments Limited	Pyemont Developments Limited
Harry Hodgson Developments Limited	R & M Speldhurst Developments Limited
Harry Rogers Developments Limited	R L Bauer – CTC 1 Developments Limited
Hawswick Developments Limited	R Walker Developments Limited
Hazel O'Flynn One Developments Limited	R. Danning Developments Limited
Hazel O'Flynn Three Developments Limited	R.D.B.B. Developments Limited
Hazel O'Flynn Two Developments Limited	R.W. & M. Fawcett Developments Limited
Heather Walsh One Developments Limited	Raleigh Park Developments Limited
Heather Walsh Two Developments Limited	Raymond T Walker Developments Limited
Heron Developments Limited	RBH Developments Limited
High Meadow Developments Limited	Renaude Limited
HJ Norman Developments Limited	Rhoda Developments Limited (Dissolved)*
HMJ 19 Developments Limited	Richard P Gammidge Developments Limited
Holly Doreen Lewis Developments Limited	Richmond C L Developments Limited
Hornbeam Developments Limited	Richmond E L Developments Limited
Hutchinson Developments Limited	Ripper Developments Limited
Idaho Developments Limited	Rita Wilkinson Developments Limited
J P Merrett Developments Limited (Dissolved)*	Ritchie Developments Limited
J.B. Foster Developments Limited	Robert Graham Price Developments Limited
J.H. Lane No.1 Developments Limited	Robert Rainey Five Developments Limited
J.H. Lane No.2 Developments Limited	Robert Rainey Four Developments Limited
J.H. Lane No.3 Developments Limited	Robert Rainey One Developments Limited
J.J.M.B. Developments Limited	Robert Rainey Six Developments Limited
J.W.P. Estates Developments Limited	Robert Rainey Three Developments Limited
Jack & Barbara Development Limited	Robert Rainey Two Developments Limited
Jack & Harry Development Limited	Rod Stanley Developments Limited
Jack & Peter Development Limited	Rosalie Developments Limited
Jack & Thomas Development Limited	Rose Mount Property Developments Limited
Jamie Grace Developments Limited	Rosemason Developments Limited
Jane Kimberley Developments Limited	Roundacre Developments Limited
JDH Developments Limited	Rudsdale Developments Limited
Jean Barrow 1 Developments Limited (Dissolved)*	S & E Skinner Developments Limited
Jean Barrow 2 Developments Limited (Dissolved)*	S M Byfield Developments Limited
Jean Barrow 3 Developments Limited	S. Pritt Developments (Cumbria) Limited
Jean Barrow 4 Developments Limited (Dissolved)*	S.C. (Highgate) Developments Limited
Jean Barrow 5 Developments Limited (Dissolved)*	S.G.Y Property (No. 1) Developments Limited
Jean Barrow 6 Developments Limited (Dissolved)*	S.M.E.F. Property Developments Limited
Jean Barrow 7 Developments Limited (Dissolved)*	Seamark Developments Limited
Jean Martin Developments Limited	Scorah Property Developments Limited
Jean Murray Developments Limited	Sephrein Developments Limited
John Edmund Gooland Developments Limited (Dissolved)*	SGB 2007 Developments Limited
Joycey Developments Limited	SGP Developments Limited
Julier One Developments Limited	Shabrash Developments Limited
Julier Two Developments Limited	Shangri-la Developments Limited
K.E.R. Developments Limited	SHC 1 Developments Limited
K.P.W.B. Developments Limited	SHC 2 Developments Limited
K+J E Davison Developments Limited	Sheelagh Ann Aird Property Developments Limited
	Sheila Coomes Developments Limited
	Shirley Turney Developments Limited
	Simpson (Much Wenlock) Developments Limited
	Sinar 1 Developments Limited
	Sinar 2 Developments Limited
	Sladen (No. 1) Developments Limited

David Watkins – past directorships in the last five years (continued)

Keith Platts Developments Limited	Sladen (No. 2) Developments Limited
Kit Symons Developments Limited	Sladen (No. 3) Developments Limited
L & E O'Hare Developments Limited	Sladen (No. 4) Developments Limited
L Mackinnon Developments Limited	Sladen (No. 5) Developments Limited
Liam Egerton Developments Limited	Springfield Property Developments Limited
Libman Developments Limited	Stal Developments Limited
Linda Billington Developments Limited	Susan Kimberley Developments Limited*
Liz Smith Developments Limited	Sweatman Developments Limited
Lohneis Developments Limited	Tanya Grace Developments Limited
Lonsdale Lindley Developments Limited	Tendele Developments Limited
Lorna Lindsey/Barnaby Sharp Developments Limited	The Second Potteron Property Developments Limited
Lorna Lindsey/Hannah Sharp Developments Limited	The SGV Milligan Benefit Developments Limited
M & R Weston Developments Limited	TMD Abergavenny Developments Limited
M I Strachan Developments Limited	Tom Drake Developments Limited
M McFarland Commercial Developments Limited	Treetops (1) Developments Limited
M.D Bear Developments Limited (Dissolved)*	Treetops (2) Developments Limited
M.E. Chambers Four Developments Limited	Trudy Hawes Developments Limited
M.G. Clubbs Developments Limited	Trudy Hawes Developments Limited
M.J.C. Commercial Developments Limited	Twerne Limited
M.W.M.P. Developments Limited	Value Added Limited
Macfarlane Road Developments Limited	Vicars Cross Developments Limited
Major Mincoff (1) Developments Limited	W.E.F. Property Developments Limited
Malann Developments Limited	W.M. Connor 1 Developments Limited
Margaret Penn Developments Limited	W.M. Connor 2 Developments Limited
Margheat Developments Limited	W.M. Connor 3 Developments Limited
Marriot 1 Developments Limited	W.M. Connor 4 Developments Limited
Marriot 2 Developments Limited	W.M. Rodber Developments Limited
Marriot 3 Developments Limited	Warne Developments Limited
Marriot 4 Developments Limited	Whielden Developments Limited
Martin Brown Developments Limited	Wickenden Developments Limited
Mary Goldfinch Developments Limited	Wilkins Developments Limited
Maudlin Developments Limited	William Stonebridge Developments Limited
McKenna (No.1) Developments Limited	Worthy Trading Limited
McKenna (No.2) Developments Limited	WVSH Developments Limited
McLuskie Developments Limited	
Mills Developments Limited	
Miss Ickliss Developments Limited	
Miss Ruth Betts Developments Limited	

Ebbe Dinesen – current directorships

Albion Prime VCT plc

Ebbe Dinesen – past directorships in the last five years

Welland Inns VCT Limited*	Welland Inns VCT (Hotels) Limited*
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- 4.9 Neither the Directors nor the Proposed Director have any convictions in relation to fraudulent offences during the previous five years.
- 4.10 Save those companies which have an asterisk next to their name in the table above, which are all companies that have voluntarily been struck off from the Register of Companies, there were no bankruptcies, receiverships or liquidations of any companies or partnership where any of the Directors (or the Proposed Director) were acting as (i) a member of the administrative, management or supervisory body, (ii) a partner with unlimited liability, in the case of a limited partnership with a share capital, (iii) a founder where the company had been established for fewer than five years or (iv) a senior manager during the previous five years.

- 4.11 There have been no official public incriminations and/or sanctions of any Director or the Proposed Director by statutory or regulatory authorities (including designated professional bodies) and no Director or the Proposed Director has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the previous five years.

5. OVERSEAS SHAREHOLDERS

- 5.1 The issue of New Shares to be issued pursuant to the merger to persons resident in or citizens of jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Such Company shareholders should inform themselves about and observe any legal requirements. In particular:
- (i) none of the New Shares to be issued pursuant to the merger have been or will be registered under the United States Securities Act 1933, as amended, or qualify under applicable United States state statute and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia, Japan, South Africa or New Zealand;
 - (ii) the Company is not registered under the United States Investment Company Act of 1940, as amended, and investors are not entitled to the benefits of that Act; and
 - (iii) no offer is being made, directly, under the merger, in or into or by the use of emails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) or interstate or foreign commerce, or of any facility in a national securities exchange, of the United States, Canada, Australia, Japan, South Africa or New Zealand. It is the responsibility of Prime Shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of New Shares pursuant to the Scheme, including the obtaining of any government or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

6. MATERIAL CONTRACTS

- 6.1 Save as disclosed in this paragraph 6.1, 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 into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

- 6.1.1 An investment management agreement dated 13 February 1996 between the Company (1) and Albion (2), as novated and supplemented from time to time, pursuant to which Albion provides investment management services and administration services to the Company. Albion is entitled to an investment management fee payable quarterly in arrears of an amount equivalent to 2 per cent. per annum of the net assets of the Company calculated in accordance with the Company's normal accounting policies (exclusive of VAT, if any) and an annual administration fee payable quarterly in arrears (which amounted to £43,528 for the year ended 31 March 2012) increased annually by RPI (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 but excluding any exceptional items) are capped at an amount equivalent to 3.5 per cent. of net assets of the Company, with any excess being paid by Albion or refunded by a reduction in Albion's above management and administration fees.

Albion's appointment is terminable on 12 months' notice, subject to earlier termination by the Company if: the Company fails to become, or ceases to be, a VCT for tax purposes or Albion commits a material breach of the agreement. The appointment will be automatically terminated if, *inter alia*, (i) either party has a receiver, administrator or liquidator appointed, (ii) Albion ceases to be authorised by the FSA or (iii) 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.

Albion will continue to provide investment management and administration services to the Company following the merger on the same basis as above, save that the Company and Albion have agreed that the management fee shall, from the Effective Date, be reduced to an amount equivalent to 1.9 per cent. of the enlarged net assets.

- 6.1.2 A performance incentive agreement dated 26 July 2004 between the Company (1) and Albion (2), as novated and supplemented from time to time, pursuant to which Albion is entitled to an annual performance incentive fee of an amount equal to 8 per cent. of any excess above a total return (representing dividends paid and growth in net asset value) of 5 per cent. per annum, paid annually in cash. Any shortfall of the total return in one year will be carried forward into subsequent periods and the incentive fee will only be paid once all previous and current total returns have been met.
 - 6.1.3 An allocation of investments agreement dated 8 December 2010 between Albion and the various VCTs it manages (including the Company and Prime), pursuant to which the parties have agreed how the allocation of investment opportunities will be regulated. This agreement provides that where more than one VCT wishes to invest in an investee company, the allocation shall be made in accordance with the ratio of funds available for investment, save that (i) where a VCT has less than 75 per cent. of its holdings being qualifying, such weighting shall be increased to 1.5 times or (ii) where a VCT is in the process of disposing an investment, such expected funds shall have a weighting reduced to 0.5 times.
 - 6.1.4 A letter of engagement dated 18 May 2012 between the Company and BDO LLP, pursuant to which BDO LLP will act as sponsor to the Company for the purposes of the merger. The agreement may be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.
- 6.2 The following contracts will be entered into, subject, *inter alia*, to the approval by Shareholders of Resolution 1 and the Scheme becoming effective:
- (a) A transfer agreement between the Company and Prime (acting through the Liquidators) pursuant to which all of the assets and liabilities of Prime will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for New Shares in accordance with Part I of this document. The Liquidators will further agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of Prime will be transferred on receipt to the Company as part of the Scheme. This agreement will be entered into as part of the Scheme.
 - (b) An indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme. A liquidation fee has been agreed (including an amount representing contingency) and taken into account in the merger calculations. This agreement will be entered into as part of the Scheme.

7. CORPORATE GOVERNANCE

7.1 Board of Directors

The Board consists solely of non-executive Directors. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to Albion, the Company does not have a Chief Executive Officer.

David Watkins is the chairman of the Company and Jeff Warren is the senior independent director.

The Board has an independent chairman, David Watkins, and Jonathan Rounce and Jeff Warren are also considered to be independent. John Kerr is not an independent Director as he is also a director of Albion Income & Growth VCT PLC (until 30 September 2012), a fund managed by Albion and a member of the Investment Committee of Albion.

David Watkins and John Kerr have both been Directors of the Company for more than nine years and, in accordance with the recommendations of the AIC code, are subject to annual re-election. The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director's length of service reduces his ability to act independently of Albion.

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section in Part II of this document. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by Albion. The Board has direct access to secretarial advice and compliance services by Albion, which is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met six times during the year ended 31 March 2012 as part of its regular programme of Board meetings. All of the Directors attended each meeting. In addition further Board or sub-committee meetings were held during the year, comprising at least two Directors, to allot shares issued under the dividend reinvestment scheme and the Albion managed VCTs linked top up offers and to approve the terms and contents of the offer documents under the Albion managed VCTs linked top up offer.

The Chairman ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. The Board receives and considers reports regularly from Albion and other key advisers, and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and Albion sets out the matters over which Albion has authority and limits beyond which Board approval must be sought.

Albion has authority over the management of the investment portfolio, the organisation of custodial, accounting, secretarial and administrative services. The main issues reserved for the Board include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- application of the principles of the Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of Albion;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price;
- share buy-back and treasury share policy; and
- monitoring shareholder profile and considering shareholder communications.

7.2 ***Committees and Directors' performance evaluation***

Performance of the Board and the Directors is assessed on the following bases:

- attendance at Board and committee meetings;
- the contribution made by individual Directors at, and outside of, Board and committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the chairman of the Company. The senior independent director reviews the annual performance evaluation of the Company's chairman.

The Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company. The Board considers any skills gaps in existence and takes action to remedy these where necessary.

Directors are offered training, both at the time of joining the Board and on other occasions where required. The Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

7.3 **Remuneration Committee**

Since the Company has no executive directors, the detailed Directors' remuneration disclosure requirements set out in the Listing Rules are not considered relevant.

7.4 **Audit Committee**

The Audit Committee consists of all Directors. John Kerr is Audit Committee Chairman. In accordance with the Code, all members of the Audit Committee have recent and relevant financial experience.

Written terms of reference have been constituted for the Audit Committee as follows:

- providing an overview of the Company's accounting policies;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditor annually, approving their appointment, re-appointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- monitoring and reviewing the external auditor's independence and objectivity and the effectiveness of the audit process;
- developing and implementing a policy for the supply of non-audit services by the external auditor;
- meeting the external auditor at least once a year without the presence of Albion;
- meeting with the internal auditor of Albion when appropriate;
- ensuring that all Directors of the Company and staff of Albion feel able to raise issues of serious concern with the Chairman of the Audit Committee, and that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and reviewing the performance of Albion and all matters arising under the Management Agreement.

During the year ended 31 March 2012, the Audit Committee discharged the responsibilities described above. Its activities included:

- formally reviewing the final annual report and financial statements, the half-yearly report, the quarterly interim management statements and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by Albion;
- meeting with the external auditor and reviewing their findings; and
- reviewing the performance of Albion and making recommendations regarding their re-appointment to the Board.

The Audit Committee reviews the performance and continued suitability of the Company's external auditor on an annual basis. They assess the external auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Audit Committee obtains confirmation from the external auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. There were no non-audit fees charged to the Company during the year.

7.5 **Nomination Committee**

The Nomination Committee consists of all Directors, with David Watkins as chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises.

7.6 **Internal control**

In accordance with principles of the Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process is in place throughout each financial year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Code published in September 1999 and updated in 2005 (the “Turnbull guidance”). The Board is responsible for the Company’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risks of failure to achieve the Company’s business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board’s monitoring covers all controls, including financial, operational and compliance controls, and risk management. The Board receives each year from Albion a formal report, which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Albion, and which reports the details of any known internal control failures. Steps are, and continue to be, taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to Albion’s and the Board’s attention.

The main features of the internal control system with respect to financial reporting, implemented throughout each year are:

- segregation of duties between the preparation of valuations and recording into accounting records;
- independent valuations of the asset-backed investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the managing partner of Albion and reviews of financial reports are carried out by the operations partner of Albion;
- bank and stock reconciliations are carried out monthly by Albion in accordance with FSA requirements;
- all published financial reports are reviewed by Albion’s compliance department;
- the Board reviews financial information; and
- a separate Audit Committee of the Board reviews published financial information.

The Directors may temporarily suspend the calculation of the NAV if, as a result of political, economic, military or monetary events or there is a breakdown of the means of communication normally employed in determining the calculation of the NAV or any such circumstance, in the opinion of the Board, the NAV cannot be fairly calculated. Any such suspension would be notified through an RNS as soon as practicable after it occurs.

8. **TAXATION**

8.1 The following paragraphs, which are intended as a general guide only and are based on current legislation and HMRC practice, summarise advice received by the Board as to the position of the Company’s Shareholders who hold Shares other than for trading purposes. Any person who is in any doubt as to his taxation position or may be subject to taxation in any jurisdiction other than the United Kingdom should consult his professional advisers.

8.2 Taxation of dividends – under current law, no tax will be withheld by the Company when it pays a dividend.

- 8.3 Stamp duty and stamp duty reserve tax – the Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the New Shares to be issued pursuant to the merger. The Company has been advised that the transfer of New Shares will, subject to any applicable exemptions, be liable to *ad valorem* stamp duty at the rate of 0.5 per cent. of the consideration paid. An unconditional agreement to transfer such New Shares if not completed by a duly stamped stock transfer will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid.
- 8.4 Close company – the Board believes that the Company is not, and expects that following completion of the Scheme it will not be, a close company within the meaning of ITA 2007. If the Company was a close company in any accounting period, approval as a VCT for the Company would be withdrawn.

9. RELATED PARTY TRANSACTIONS

Save for the fees paid to the Directors (as detailed in paragraph 4.4 above) and the fees paid to Albion in respect of its management and administration arrangements (as detailed in paragraph 6.1. above), and promotion arrangements of £nil, £3,450, £6,740 and £nil in the years ended 31 March 2010, 2011 and 2012 and to the date of this document in the current financial year, there were no related party transactions or fees paid by the Company during the years ended 31 March 2010, 2011 and 2012 or to the date of this document in the current financial year.

10. GENERAL

Working Capital Statement

- 10.1 The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

Capitalisation and Indebtedness Statement

- 10.2 As at 26 July 2012 (the latest practicable date prior to the publication of this document), the Company has no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document.
- 10.3 The capitalisation of the Company as at 31 March 2012 (extracted from the Annual Report), is set out below. Save for the allotment of 880,884 Shares pursuant to a top-up offer which closed on 31 May 2012 and the buy-back of 150,000 Shares on 2 July 2012 and 48,000 Shares on 12 July 2012, there has been no material change in the capitalisation of the Company between 31 March 2012, the date of the Annual Report and 26 July 2012, the latest practicable date before the date of publication of this document.

<i>Shareholders' Equity</i>	<i>£'000</i>
Called-up Share Capital	19,733
Share premium account	1,005
Other reserves	7,648
Total	28,386

Other

- 10.4 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Company is aware) which may have, or have had in the 12 months immediately preceding the date of this document, a significant effect on the financial position or profitability of the Company.
- 10.5 There has been no significant change in the financial or trading position of the Company since 31 March 2012, the date of the Annual Report, to the date of this document.
- 10.6 There has been no significant change in the financial or trading position of Prime since 31 March 2012, the date of the Prime Annual Report, to the date of this document.

- 10.7 There have been no important events so far as the Company and the Directors (and the Proposed Director) are aware relating to the development of the Company or its business.
- 10.8 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Company's prospects or which have materially affected the Company's income from operations so far as the Company and the Directors (and the Proposed Director) are aware.
- 10.9 There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year, so far as the Company, the Directors and the Proposed Director are aware.
- 10.10 Scott-Moncrieff (a member of the Institute of Chartered Accountants) has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part V of this document in the form and context in which it is included and has authorised the contents of its report for the purposes of Rule 5.5.3(2)(f) of the Prospectus Rules.
- 10.11 BDO and the Liquidators have given and not withdrawn their written consent to the issue of this document and the inclusion of their names and the references to them in this document in the form and context in which they appear.
- 10.12 Shareholders will be informed, by means of the half-yearly and/or annual report or through a Regulatory Information Service announcement if the investment restrictions which apply to the Company as a VCT detailed in this document are breached.
- 10.13 The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policy as set out in this document. There are no firm commitments in respect of the Company's principal future investments.
- 10.14 All Shareholders have the same voting rights in respect of the share capital of the Company. The Company is not aware of any person who, directly or indirectly, exercises or could exercise control over the Company, nor of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.
- 10.15 The Company has no employees or subsidiaries.
- 10.16 The typical investor for whom investment in the Company is designed is an individual retail investor aged 18 or over who is resident and a tax payer in the United Kingdom.
- 10.17 The Company does not have any material shareholders with different voting rights.
- 10.18 The Company is subject to the investment restrictions relating to a venture capital trust in ITA 2007, as more particularly detailed in Part VIII of this document, and in the Listing Rules which specify that (i) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy as set out on page 26 of this document; (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and (iii) the Company may not invest more than 10 per cent., in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds. Any material change to the investment policy of the Company will require the approval of Shareholders pursuant to the Listing Rules. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust and accordingly:
- 10.18.1 the Company's income is intended to be derived wholly or mainly from shares or other securities, as this phrase is interpreted by HMRC; and
- 10.18.2 the Company will not control the companies in which it invests in such a way as to render them subsidiary undertakings.

- 10.19 The Company and its Shareholders are subject to the provisions of the City Code on Takeovers and Mergers and CA 2006, which require shares to be acquired/transferred in certain circumstances.
- 10.20 Had the Scheme been implemented on 31 March 2012, being the latest practicable date before the date of publication of this document, based on the relative audited net asset values of the Company and Prime as at that day (and taking into account the interim dividends declared by the Companies for the current year ending 31 March 2013 and buybacks and issues of shares in the Companies between 31 March 2012 and 16 July 2012), 19,378,681 New Shares would have been issued to Prime Shareholders credited as fully paid up representing 32.45 per cent. of the enlarged issued share capital of the Company and 34.33 per cent. of the enlarged voting share capital of the Company.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the Effective Date at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG and also at the registered office of the Company:

- 11.1 the memorandum and articles of association of the Company;
- 11.2 the audited report and accounts of the Company for the financial years ended 31 March 2010, 2011 and 2012;
- 11.3 the audited report and accounts of Prime for the financial years ended 31 March 2010, 2011 and 2012;
- 11.4 the material contracts referred to in paragraph 6 above (the contracts referred to at paragraph 6.2 being subject to non-material amendment);
- 11.5 the consents referred to at paragraphs 10.10 and 10.11 above;
- 11.6 the Prime Circular;
- 11.7 the Circular; and
- 11.8 this document.

27 July 2012

