

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 without delay.

If you have sold or otherwise transferred all of your shares in Kings Arms Yard VCT PLC, you should pass this document, and the accompanying form of proxy, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

KINGS ARMS YARD VCT PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03139019)

RECOMMENDED PROPOSAL FOR THE CANCELLATION OF THE COMPANY'S SHARE PREMIUM ACCOUNT AND CAPITAL REDEMPTION RESERVE

AND

NOTICE OF GENERAL MEETING

Notice of a General Meeting of the Company to be held at 1 Benjamin Street, London EC1M 5QL at noon on 25 November 2021 is set out at the end of this document. The proposal described in this document is conditional upon passing of the Resolution to be proposed at the General Meeting. Shareholders are requested to complete and return their Proxy Form as soon as possible. To be valid, Proxy Forms for use at the General Meeting must be completed and returned in accordance with the instructions printed thereon to Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol BS99 6ZY so as to arrive no later than noon on 23 November 2021.

EXPECTED TIMETABLE

Last time and date for receipt of proxies	Noon on 23 November 2021
Time and date of General Meeting	Noon on 25 November 2021
Estimated date of Court Hearing	11 January 2022*
Estimated Effective Date	18 January 2022*

(* These dates are subject to change)

KINGS ARMS YARD VCT PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03139019)

Directors:

Fiona Elizabeth Wollocombe
Thomas William Chambers
Martin Guy Fiennes

Registered Office:

1 Benjamin Street
London
EC1M 5QL

17 September 2021

Dear Shareholder

Recommended proposal for the cancellation of the Company's share premium account and capital redemption reserve

1. Introduction

The Board of your Company is proposing that the share premium account and the capital redemption reserve of the Company be cancelled (the "**Cancellation**"). The Cancellation requires shareholder approval and the confirmation of the Court after a court hearing. The purpose of this document is to set out the background to and reasons for the proposed Cancellation. The Board unanimously recommends that you vote in favour of the special resolution to be proposed at the General Meeting to be held at noon on 25 November 2021, notice of which is set out at the end of this document.

2. Background to and reasons for the Cancellation

The existing distributable reserve was created, in part, by the reduction of the share premium account which was approved by the Court in November 2011. Over time, this reserve has been utilised for the purchase and cancellation of shares, and it also forms part of the distributable reserves available to the Company for the payment of dividends.

Following a review, your Board now considers it sensible to cancel the whole of the existing share premium account and the capital redemption reserve to give the Company greater flexibility in returning funds to shareholders, whether through the payment of dividends, share buybacks or other means.

As shareholders will be aware, it is the Board's policy to pay regular dividends to shareholders as the Board believes that this is a key source of shareholder value. Under UK companies legislation, dividends can only be paid out of distributable reserves and, therefore, the Board believes that increasing the amount of distributable reserves is in the best interest of the Company and its shareholders as a whole and is most likely to promote the success of the Company for the benefit of its shareholders as a whole.

The Company has a policy of buying back its own shares, subject to the overall constraint that such purchases are considered to be to the advantage of the Company and its shareholders as a whole. These shares are purchased at a discount to net asset value, which enhances the Company's net asset value per share. The Company may hold any shares bought back as treasury shares.

The purchase of shares by the Company can be funded only through distributable reserves or the proceeds of a fresh issue of shares made for the purpose of the purchase. The purpose of the proposed Cancellation is to increase the size of the distributable reserves that will be available for the payment of dividends, for the purchase of the Company's own shares, and for any other corporate purposes, including the payment of costs associated with the Cancellation.

3. The Cancellation

For the reasons set out above, the Board proposes cancelling the Company's share premium account (which currently stands at £59,774,000) and the capital redemption reserve (which currently stands at £11,000).

UK companies legislation provides that a company may reduce its capital, including its share premium account and capital redemption reserve, by special resolution (provided that there is nothing in the Company's Articles of Association prohibiting it from doing so) and subject to confirmation by the Court.

If the required special resolution is approved by shareholders, the Company will, as soon as practicable, apply to the Court for an appropriate Court order (the "**Application**"). It is expected that the Court order confirming the Cancellation will be made at a final hearing of the Application during January 2022. The Cancellation will become effective on the Registrar of Companies registering the order confirming the Cancellation (the "**Effective Date**"), which is expected to be shortly thereafter. It is proposed that the reserve arising on the Cancellation becoming effective will be a fully distributable special reserve that can be used for the payment of dividends, for the purchase and cancellation of shares, for the purchase of treasury shares, for the offset of capital losses and for any other corporate purposes, including the payment of costs associated with the Cancellation. Under the VCT rules, companies are prevented from returning capital attributable to shares within three years of the date upon which the relevant shares were issued.

The Court will be concerned to ensure that the interests of creditors of the Company as at the Effective Date are not prejudiced. It is anticipated that the Company's financial position will provide appropriate protection for creditors who do not consent to the Cancellation. However, the Company will comply with any creditor protection measures as might be required by the Court and are consistent with the object for which the Cancellation is proposed, namely to increase the size of the Company's distributable reserves.

4. Action to be taken by shareholders

The proposed Cancellation is subject to shareholder approval. A notice convening a General Meeting of the Company to pass the special resolution to approve the Cancellation, which is to be held at noon on 25 November 2021 at the offices of Albion Capital Group LLP at 1 Benjamin Street, London EC1M 5QL, is set out at the end of this document. The special resolution requires a three-quarters majority of those shareholders voting in order to be passed. The General Meeting will be live streamed for shareholders and registration details will be available at www.albion.capital/funds/KAY prior to the Meeting.

Whether or not you intend to view the General Meeting, shareholders are requested to complete and return the accompanying Proxy Form in accordance with the instructions printed thereon, so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and in any event no later than noon on 23 November 2021. The completion and return of the Proxy Form will not preclude you from attending the General Meeting and voting in person should you so wish.

Please note that if any COVID-19 measures are introduced (including restricting attendance in person by shareholders or their proxies or requiring meetings to be held virtually in the event of a further national lockdown) the Company will make an announcement to that effect.

5. Recommendation

Your Board believes that the Cancellation is in the best interest of the Company and its shareholders as a whole and is most likely to promote the success of the Company. Accordingly, all Directors intend to vote in favour of the special resolution at the General Meeting in respect of their own beneficial shareholdings in the Company which, at the date of this Circular, total 1,025,632 Ordinary Shares (representing approximately 0.23 per cent. of the issued Ordinary Shares (excluding treasury shares)).

Yours faithfully

Fiona Wollocombe
Chairman

NOTICE OF GENERAL MEETING

KINGS ARMS YARD VCT PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03139019)

Notice is hereby given that a General Meeting of Kings Arms Yard VCT PLC will be held at noon at the offices of Albion Capital Group LLP, 1 Benjamin Street, London EC1M 5QL on 25 November 2021 to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution.

SPECIAL RESOLUTION

THAT, subject to the approval of the High Court of Justice, the amounts standing to the credit of the share premium account and the capital redemption reserve of the Company as at the date of the final court hearing at which confirmation of such cancellations is sought, be cancelled.

By Order of the Board
Albion Capital Group LLP
Company Secretary

Registered Office
1 Benjamin Street
London
EC1M 5QL

Dated: 17 September 2021

Notes

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

Return of the Form of Proxy will not preclude a member from attending the meeting and voting in person. A member may not use any electronic address provided in the Notice of this meeting to communicate with the Company for any purposes other than those expressly stated.

To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by noon on 23 November 2021.

In accordance with good governance practice, the Company is offering shareholders use of an online service, offered by the Company's registrar, Computershare Investor Services, at www.investorcentre.co.uk/eproxy. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of noon on 23 November 2021 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/CREST. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.

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

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

- To be entitled to attend and vote at the GM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at noon on 23 November 2021 (or, in the event of any adjournment, on the date which is two business days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this GM and any adjournment(s) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK and Ireland Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent by noon on 23 November 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion.capital/funds/KAY under the “Fund reports” section.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. As at 16 September 2021 (being the latest practicable date prior to the publication of this Circular), the Company’s issued share capital comprises 505,145,955 Ordinary shares with a nominal value of 1 penny each. The Company also holds 65,014,675 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 16 September 2021 are 440,131,280.

