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

If you have sold or otherwise transferred all of your shares in Albion Technology & General VCT 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 10 October 2013, has been prepared in accordance with the prospectus rules made under Part VI of FSMA.

The Company, the Directors and the Proposed Directors, whose names appear on page 3 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 Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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 Income & Growth 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.

Howard Kennedy Corporate Services LLP, which is authorised and regulated in the United Kingdom by the FCA, 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 Howard Kennedy Corporate Services 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.

ALBION TECHNOLOGY & GENERAL VCT PLC

(Registered in England and Wales with registered number 04114310)

PROSPECTUS

**Relating to the issue of up to 45 million new shares in connection with
the merger with Albion Income & Growth VCT PLC by acquiring
all of its assets and liabilities**

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 the business day following 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 VIII 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 12 and 13 of this document.

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CORPORATE INFORMATION

Directors	Dr Neil Cross Lt Gen Sir Edmund Burton Modwenna Rees-Mogg Patrick Reeve <i>(all of the registered office)</i>
Proposed Directors	Robin Archibald Mary Anne Cordeiro
Registered Office	1 King's Arms Yard London EC2R 7AF Telephone: 020 7601 1850 Website: www.albion-ventures.co.uk
Company Number	04114310
Investment Manager, Administrator and Company Secretary	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Solicitors	SGH Martineau LLP No. 1 Colmore Square Birmingham B4 6AA
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Sponsor	Howard Kennedy Corporate Services LLP 19 Cavendish Square London W1A 2AW

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 document 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
A1	Warning	This summary should be read as an introduction to the 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.
A2	Use of Prospectus by financial intermediaries for subsequent resale or final placement	Not applicable. No consent has been given by the issuer or persons responsible for drawing up the Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.
B		Issuer
B1	Legal and commercial name	Albion Technology & General VCT PLC (“the Company”)
B2	Domicile/Legal form/Legislation/ Country of incorporation	<p>The Company is a public limited liability company which is registered in England and Wales with registered number 04114310.</p> <p>The principal legislation under which the Company operates is the Companies Act 2006 (and regulations made thereunder).</p>
B5	Group description	Not applicable. The Company is not part of a group.

B6	Material Shareholders/ Differing voting rights/Control	The Company has no material shareholders with different voting rights. Shareholders in the Company (Shareholders) have the same voting rights in respect of the existing share capital of that Company. As at 9 October 2013 (this being the latest practicable date prior to publication of this document), 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 Companies Act 2006 and the Listing Rules and Disclosure and Transparency Rules of the Financial Conduct Authority, a holding of 3 per cent. or more in a Company will be notified to the Company).																																																																																																
B7	Selected financial information	<p>Certain selected financial information is set out below:</p> <table><thead><tr><th></th><th colspan="3">Audited year ended 31 December (£'000)</th><th colspan="2">Unaudited six month period to 30 June (£'000)</th></tr><tr><th></th><th>2012</th><th>2011</th><th>2010</th><th>2013</th><th>2012</th></tr></thead><tbody><tr><td>Investment income and deposit interest</td><td>1,224</td><td>1,257</td><td>1,197</td><td>571</td><td>669</td></tr><tr><td>Total profit/(loss) on ordinary activities before taxation</td><td>1,522</td><td>875</td><td>(286)</td><td>1,267</td><td>297</td></tr><tr><td>Net assets</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td> ordinary shares (Shares)</td><td>34,459</td><td>33,547</td><td>11,073</td><td>36,237</td><td>34,121</td></tr><tr><td> former C shares*</td><td>–</td><td>–</td><td>23,018</td><td>–</td><td>–</td></tr><tr><td>NAV per share (p)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td> ordinary shares (Shares)</td><td>84.0</td><td>85.1</td><td>87.6</td><td>84.6</td><td>83.3</td></tr><tr><td> former C shares</td><td>–</td><td>–</td><td>68.1</td><td>–</td><td>–</td></tr><tr><td>Dividends paid per share (p)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td> ordinary shares (Shares)</td><td>5.0</td><td>5.0</td><td>8.0</td><td>2.5</td><td>2.5</td></tr><tr><td> former C shares*</td><td>–</td><td>–</td><td>3.0</td><td>–</td><td>–</td></tr><tr><td>Total net asset value return per share (p)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td> ordinary shares (Shares)</td><td>155.0</td><td>151.1</td><td>148.6</td><td>158.1</td><td>151.8</td></tr><tr><td> former C shares*</td><td>–</td><td>–</td><td>79.6</td><td>–</td><td>–</td></tr></tbody></table> <p>* The C shares merged with the Shares in 2011 on a conversion ratio of 0.7779 Shares for every C share.</p> <p>The Company's net asset value per Share has reduced from 87.6p as at 31 December 2010 to 84.6p as at 30 June 2013 and dividends of 12.5p in aggregate have been paid per Share between 31 December 2010 and 30 June 2013.</p> <p>There has been no significant change in the Company's financial condition and operating results subsequent to the period covered by the historical key financial information set out above.</p>		Audited year ended 31 December (£'000)			Unaudited six month period to 30 June (£'000)			2012	2011	2010	2013	2012	Investment income and deposit interest	1,224	1,257	1,197	571	669	Total profit/(loss) on ordinary activities before taxation	1,522	875	(286)	1,267	297	Net assets						ordinary shares (Shares)	34,459	33,547	11,073	36,237	34,121	former C shares*	–	–	23,018	–	–	NAV per share (p)						ordinary shares (Shares)	84.0	85.1	87.6	84.6	83.3	former C shares	–	–	68.1	–	–	Dividends paid per share (p)						ordinary shares (Shares)	5.0	5.0	8.0	2.5	2.5	former C shares*	–	–	3.0	–	–	Total net asset value return per share (p)						ordinary shares (Shares)	155.0	151.1	148.6	158.1	151.8	former C shares*	–	–	79.6	–	–
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B8	Key pro forma financial information	Not applicable. There is no pro forma financial information in the Prospectus.
B9	Profit forecast	Not applicable. There are no profit forecasts in the Prospectus.
B10	Qualifications in the audit report	Not applicable. There were no qualifications in the audit reports for the Company in the years ended 31 December 2010, 2011 and 2012.
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	<p>The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. It is intended that the Company's investment portfolio will be split approximately as follows:</p> <ul style="list-style-type: none"> ● 40 per cent. in unquoted UK technology related companies; and ● 60 per cent. in unquoted UK non-technology companies. <p>This split is subject to the availability of good quality new investment opportunities arising within the UK technology and non-technology sectors.</p> <p>In neither of the categories listed above would portfolio companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of investments (by cost) will comprise loan stock secured with a first charge on the portfolio company's assets.</p> <p>Albion pursues a longer term investment approach, with a view to providing Shareholders with a strong, predictable dividend flow, combined with the prospects of capital growth. This is achieved in two ways. First, controlling the VCT's exposure to technology risk by ensuring that many of the companies in the non-technology portfolio have property as their major asset, with no external borrowings. Second, by balancing the investment portfolio by sector, so that those areas such as leisure and business services, which are susceptible to changes in consumer sentiment, are complemented by sectors with more predictable long term characteristics, such as healthcare and the environment.</p> <p>In addition to the above, HMRC rules govern the Company's investment allocation and risk diversification policies. In order to maintain its status under VCT legislation, the following tests must be met:</p> <ul style="list-style-type: none"> ● the Company's income must be derived wholly or mainly from shares and securities; ● at least 70 per cent. of the VCT value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings'; ● at least 30 per cent. by VCT value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 the figure is 70 per cent.; ● at no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by VCT value of its investments;

		<ul style="list-style-type: none"> ● the Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities; ● eligible shares must comprise at least 10 per cent. by VCT value of the total of the shares and securities that the Company holds in any one portfolio company; and ● the Company's shares, throughout the year, must have been listed on the Official List. <p>These tests result in a spread of investment risk through disallowing holdings of more than 15 per cent. by VCT value in any portfolio company.</p> <p>'Qualifying holdings' for the Company include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom.</p> <p>'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Portfolio company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The maximum each company can receive from State Aided risk capital schemes is £5 million in any twelve month period.</p> <p>As set out in the Company's articles of association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 December 2012, the Company's maximum possible exposure was £3,343,000 (2011: £3,254,000) and its actual short term and long term gearing at this date was £nil (2011: £nil). The Directors do not currently have any intention to utilise long term gearing.</p>
B35	Borrowings	The articles of association of the Company restrict borrowings to 10 per cent. of the adjusted capital and reserves (as defined therein). The Company, however, has never borrowed and the Board currently has no plans to undertake any borrowing.
B36	Regulatory status	Not applicable. The Company is not regulated by the Financial Conduct Authority or any other regulatory body.
B37	Typical investor	A typical investor in the Company will be a UK taxpayer who is aged 18 or over and who already has a portfolio of VCT and non-VCT investments (such as unit trusts, OEICs, investment trusts and direct shareholdings in listed and non-listed companies). The investor should be comfortable with the risks associated with an investment in a VCT and be willing to retain the investment for at least five years.
B38	Investments of 20 per cent. or more of a single company	Not applicable. The Company does not have any investments which represent more than 20 per cent. of its gross assets in a single company or group.
B39	Investments of 40 per cent. or more of a single company	Not applicable. The Company does not have any investments which represent more than 40 per cent. of its gross assets in a single company or group.

B40	Service providers	<p>Albion Ventures LLP (“Albion”) is the investment manager and administrator of the Company and is entitled to an annual fee for investment management and administration services of an amount equal to 2.5 per cent. of the net assets of the Company (plus VAT, if any). The normal annual running costs of the Company are capped at an amount equal to 3.5 per cent. of the net assets of the Company, with any excess being paid by Albion or refunded by a reduction in Albion’s management and administration fee.</p> <p>Albion is also entitled to performance incentive fees equal to 20 per cent. of the amount by which the net asset value and aggregate dividends paid (total return) exceed £1 per share as increased by 8 pence per annum since the date of first allotment of the original ordinary shares and former C shares, less any performance fees already paid. Fees under the arrangement (if any) are assessed and paid annually by reference to the end date of a financial period and in respect of each share in issue on that date.</p> <p>Although the former C shares were merged into the original ordinary shares to form one class of share (these being “the Shares”) in 2011, it has been agreed that the original C share hurdle is applied to the proportion of the capital which the former C shares represented at the time the two share classes merged (this being 67.1 per cent. of the enlarged capital of the Company at that time). The C share total return is measured by aggregating the dividends paid per former C share with the NAV and dividends paid per Share after the merger of the share classes, adjusted to reflect the number of Shares issued per former C share (this being 0.7779). These fees, if applicable, will be paid annually.</p> <p>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, save that Albion has agreed, subject to the merger becoming effective, to reduce the annual running costs cap to an amount equivalent to 3 per cent. of the net assets of the Enlarged Company and, subject to Shareholder approval, the existing performance incentive arrangement will be revised as further detailed in this document.</p> <p>If the revised arrangements are not approved by the Shareholders, the existing arrangements in the Company will continue to apply, with the arrangement applying, if the merger is effected, across the enlarged share capital of the Enlarged Company.</p>
B41	Regulatory status of Albion	Albion is registered in England and Wales as a limited liability partnership under number OC341254. Albion is authorised and regulated by the Financial Conduct Authority, with registered number 492536.
B42	Calculation of net asset value	The Company’s net asset value is calculated by Albion on a quarterly basis, which is published both on the Company’s website (www.albion-ventures.co.uk) and on an appropriate regulatory information service. If for any reason valuations are suspended, relevant shareholders will be notified in a similar manner.
B43	Umbrella collective investment scheme	Not applicable. The Company is not part of an umbrella collective investment scheme.

B44	Absence of financial statements	Not applicable. The Company has commenced operations and published financial statements.
B45	Investment portfolio	The Company invests in a diversified portfolio of small and medium sized private companies which have significant growth potential. As at 30 June 2013, the Company had, in aggregate, venture capital investments in 42 companies with a carrying value of £34.2 million.
B46	Most recent NAV per share	As at 30 June 2013, the unaudited NAV per Share was 84.6p.
C		Securities
C1	Description and class of securities	The Company proposes to issue up to 45 million ordinary shares of 1p each in the capital of the Company (ISIN: GB0005581672) pursuant to the merger ("New Shares").
C2	Currency	The Company's share capital comprises ordinary shares of 1 penny (GBP) each.
C3	Shares in issue	46,590,713 Shares are in issue at the date of this document (all fully paid up), but with 4,341,070 Shares being held in treasury. The maximum number of New Shares to be issued pursuant to the Offer is 45 million.
C4	Description of rights attaching to the securities	The New Shares in the Company will rank equally in all respects with each other and the existing share capital of the Company from the date of issue of such New Shares.
C5	Restrictions on transfer	Not applicable. There are no restrictions on the transferability of the New Shares.
C6	Admission	Application has been made to the UK Listing Authority 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 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 three business days following allotment.
C7	Dividend policy	The dividend objective of the Board is to provide Shareholders with a strong, predictable dividend flow, with a dividend target of 5 pence per Share per year.
D		Risks
D2	Key information on the key risks specific to the Company	<p>Company</p> <ul style="list-style-type: none"> While 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 the Company's status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained. 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 could affect tax reliefs obtained by Shareholders and the VCT status of the Company.

		<ul style="list-style-type: none"> Any change in governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of the Company and/or the performance of the Company (and the portfolio of companies in which it invests) and the value of and returns from Shares and/or its ability to maintain VCT status. Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. There may be difficulties in valuing and disposing of such securities. <p>Merger</p> <ul style="list-style-type: none"> 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 AAIG or made by the Company, which may restrict the ability of the Company to distribute any capital gains and revenue received on the investments transferred from AAIG 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 AAIG, or the investments of the Company, are, or become, unable to meet VCT requirements.
D3	Key information on the key risks specific to the securities	<ul style="list-style-type: none"> The value of Shares, and the income from them, can fluctuate and investors may not get back the amount they invested. There is no certainty that the market price of the Shares will fully reflect the underlying NAV. In addition, there is no guarantee that dividends will be paid or that any dividend objective stated will be met. Although the existing Shares issued by the Company have been (and it is anticipated that the New Shares in the Company to be issued pursuant to the Offer will be) admitted to the Official List of the UKLA and to trading on the London Stock Exchange's market for listed securities, there may not be a liquid market and investors may find it difficult to realise their investments. Investment in the Company should be seen as a long term investment. If a qualifying investor disposes of his or her Shares within five years of issue (this being the date of the original issue of AAIG Shares for the purposes of New Shares issued pursuant to the Scheme), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed.
E		Offer
E1	Net proceeds	If effected, the merger will result in an Enlarged Company with total net assets of over £60 million (after expected merger costs of £325,000). The merger will not, however, result in any proceeds actually being raised by the Company.
E2a	Reasons for the offer	The merger is not a public offer. However, this document is required to be prepared by the Prospectus Rules in order to be able to arrange for the admission of the New Shares to trading on the main market of the London Stock Exchange.

		<p>The Board considers that this merger will bring a number of benefits to both groups of shareholders through:</p> <ul style="list-style-type: none"> ● participation in a more substantial VCT with assets of over £60 million, resulting in a more stable and resilient base for providing long-term returns for shareholders; ● amalgamation of the Companies' portfolios, which are substantially the same, for efficient management and administration and a reduction in annual running costs for the Enlarged Company compared to the total annual running costs of the separate Companies; ● enhancing the potential for the Enlarged Company to raise new funds, as well as pay dividends and support buybacks in the future, whilst potentially increasing liquidity for shareholders; and ● consolidating the shareholdings for the substantial number of shareholders who have holdings in both Companies.
E3	Terms and conditions of the offer	<p>The merger will be effected by AAIG being placed into members' voluntary liquidation and all of its assets and liabilities being transferred to the Company in consideration for New Shares being issued directly to the shareholders of AAIG. The merger will be completed on a relative net asset value basis with the benefits being shared by both sets of shareholders, with costs split proportionately based on the merger NAVs.</p> <p>The Scheme is conditional on:</p> <ul style="list-style-type: none"> ● the passing of Resolution 1 to be proposed at the General Meeting; ● the passing of each of the resolutions to be proposed at the AAIG Meetings; and ● notice of dissent not having been received from AAIG Shareholders holding more than 10 per cent. in nominal value of AAIG's issued share capital under section 111 of IA 1986 (this condition may be waived by the AAIG Board).
E4	Substantial shareholders	Not applicable. There are no interests that are material to the issue of New Shares.
E5	Name of persons selling securities	Not applicable. No entity is selling securities in the Company.
E6	Amount and percentage of dilution resulting from the offer	Had the Scheme been implemented on 9 October 2013, being the latest practicable date before the date of publication of this document, based on the relative unaudited net asset values of the Company and AAIG as at that day (taking into account share buybacks in either of the Companies between 30 June 2013 and 9 October 2013 and the dividend of 2.5 pence per Share to be paid on 31 October 2013), 34,241,418 New Shares would have been issued to AAIG Shareholders credited as fully paid up representing 42.4 per cent. of the enlarged issued share capital of the Company and 44.8 per cent. of the enlarged voting share capital of the Company (73.5 per cent. of the current issued share capital of the Company and 81.0 per cent. of the current voting share capital of the Company).
E7	Expenses charged to the investor	The aggregate anticipated cost of undertaking the merger is £325,000, including VAT, legal and professional fees, stamp duty and the costs of winding up AAIG. The costs of the merger will be split proportionately between the Company and AAIG 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 and the costs incurred to put forward the merger proposals to Shareholders and AAIG shareholders will be split proportionately between the Company and AAIG by reference to their respective net assets (ignoring merger costs).

Shareholders may be adversely affected by the performance of the investments, whether acquired from AAIG or made by the Company. The performance of the investments acquired from AAIG, 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 AAIG 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 their 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 AAIG, 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.

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. 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. An investment in the Enlarged Company should, therefore, be considered as a long-term investment.

There is no guarantee that the Enlarged Company will meet its objectives. The past performance of the Company and/or AAIG and/or other funds managed by Albion is not an 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 the 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 to fully 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 can fluctuate and 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 their management may be dependent 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.

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, 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 resulting from the Scheme will be the original applicable date of issue of the AAIG Shares. 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, he or she will be liable to pay any capital gains tax in respect of 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 any tax reliefs afforded solely to subscribers of new VCT shares, although dividends on those shares will not be liable to income tax (subject to a maximum value of £200,000 of VCT shares being acquired in any tax year).

EXPECTED TIMETABLES

EXPECTED TIMETABLE FOR THE COMPANY

Latest time for receipt of forms of proxy for the General Meeting	5.30 p.m. on 31 October 2013
General Meeting	10.00 a.m. on 4 November 2013
Calculation Date	5.00 p.m. on 14 November 2013
Effective Date for the transfer of the assets and liabilities of AAIG to the Company and the issue of New Shares pursuant to Scheme*	15 November 2013
Announcement of the results of the Scheme	15 November 2013
Admission of and dealings in New Shares issued pursuant to the Scheme to commence	18 November 2013
CREST accounts credited with New Shares issued pursuant to the Scheme	18 November 2013
Certificates for New Shares issued pursuant to the Scheme dispatched	22 November 2013

(*this will, therefore, be the final expected date of trading of the AAIG Shares)

EXPECTED TIMETABLE FOR AAIG

Date from which it is advised that dealings in AAIG Shares should only be for cash settlement and immediate delivery of documents of title	25 October 2013
Latest time for receipt of forms of proxy for the AAIG First General Meeting	5.30 p.m. on 31 October 2013
AAIG First General Meeting	11.30 a.m. on 4 November 2013
Latest time for receipt of forms of proxy for the AAIG Second General Meeting	10.00 a.m. on 13 November 2013
Calculation Date	5.00 p.m. on 14 November 2013
AAIG register of members closed and Record Date for AAIG Shareholders' entitlements under the Scheme	5.30 p.m. on 14 November 2013
Dealings in AAIG Shares suspended	7.30 a.m. on 15 November 2013
AAIG Second General Meeting	10.00 a.m. on 15 November 2013
Effective Date for the transfer of the assets and liabilities of AAIG to the Company and the issue of New Shares pursuant to the Scheme*	15 November 2013
Announcement of the results of the Scheme	15 November 2013
Cancellation of the AAIG Shares' listing	8.00 a.m. on 13 December 2013

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

DEFINITIONS

“AAIG”	Albion Income & Growth VCT PLC, registered in England and Wales under number 05132495, whose registered office is at 1 King’s Arms Yard, London EC2R 7AF
“AAIG Board”	the board of directors of AAIG
“AAIG Circular”	the circular to AAIG Shareholders dated 10 October 2013
“AAIG First General Meeting”	the general meeting of AAIG to be held on 4 November 2013 (or any adjournment thereof)
“AAIG Half-Yearly Report”	the unaudited half-yearly report of AAIG for the six month period ended 31 March 2013
“AAIG Meetings”	the AAIG First General Meeting and the AAIG Second General Meeting
“AAIG Second General Meeting”	the general meeting of AAIG to be held on 15 November 2013 (or any adjournment thereof)
“AAIG Shareholders”	holders of AAIG Shares (and each an “AAIG Shareholder”)
“AAIG Shares”	ordinary shares of 1 penny each in the capital of AAIG (and each an “AAIG Share”)
“Albion”	Albion Ventures LLP, the investment manager of the Company and AAIG, of 1 King’s Arms Yard, London EC2R 7AF
“Articles”	the articles of association of the Company, as amended from time to time
“Board”	the board of directors of the Company
“CA 1985”	the Companies Act 1985, as amended
“CA 2006”	the Companies Act 2006, as amended
“Calculation Date”	the date on which the Roll-Over Value and the Merger Value will be calculated, anticipated as being the close of business on 14 November 2013
“Circular”	the circular to Shareholders dated 10 October 2013
“Companies”	the Company and AAIG
“Company”	Albion Technology & General VCT PLC
“Computershare”	a trading name for Computershare Investor Services PLC
“Directors”	the directors of the Company (and each a “Director”)
“Disclosure & Transparency Rules”	the disclosure and transparency rules of the FCA
“EEA States”	the member states of the European Economic Area
“Effective Date”	the date on which the Scheme will be completed, anticipated as being 15 November 2013

“Enlarged Company”	the Company, following implementation of the Scheme
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company to be held on 4 November 2013 (or any adjournment thereof)
“Half-Yearly Report”	the unaudited half-yearly report of the Company for the six month period ended 30 June 2013
“HMRC”	Her Majesty’s Revenue & Customs
“Howard Kennedy”	Howard Kennedy Corporate Services LLP, which is recognised and regulated by the FCA and is a UKLA registered sponsor
“IA 1986”	the Insolvency Act 1986, as amended
“IPEVC Guidelines”	the International Private Equity and Venture Capital Guidelines
“ITA 2007”	the Income Tax Act 2007, as amended
“Liquidators”	William Duncan and Keith Allan Marshall of Baker Tilly Business Services Limited, 2 Wellington Place, Leeds LS1 4AP, being the proposed liquidators for AAIG
“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 rounded down to four decimal places
“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 20 of Part I of this document
“NAV” or “net asset value”	net asset value
“New Shares”	the Shares with ISIN GB0005581672 to be issued by the Company to AAIG Shareholders in accordance with the Scheme (and each a “New Share”)
“Official List”	the official list of the UKLA
“Proposed Directors”	Robin Archibald and Mary Anne Cordeiro (and each a “Proposed Director”)
“Prospectus”	this document
“Prospectus Rules”	the prospectus rules of the FCA
“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 14 November 2013

“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 an AAIG Share calculated in accordance with the formula set out on page 20 of Part I of this document
“RPI”	the retail prices index as compiled by the Office for National Statistics (or any replacement thereof)
“Scheme”	the proposed merger of the Company and AAIG by means of placing AAIG into members’ voluntary liquidation pursuant to section 110 of IA 1986 and the acquisition by the Company of all of AAIG’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 1 penny 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”	the Taxation of Chargeable Gains Act 1992, as amended
“Transfer Agreement”	the agreement between the Company and AAIG (acting through the Liquidators) for the transfer of all of the assets and liabilities of AAIG 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 Conduct 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 AAIG

Introduction

The Board and the AAIG Board consider that the interests of the shareholders of the Companies 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 AAIG by placing AAIG 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 AAIG Shareholders. 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 in connection with the Scheme.

Background

Both of the Companies have essentially the same investment policy, with the overall aim of providing investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth. As a result, the venture capital investments which are common across the Companies' respective portfolios represented approximately 92.9 per cent. of the aggregate value of the venture capital investments of the combined portfolio as at 30 June 2013 (36 out of 44 in respect of the number of venture capital investments across the combined portfolio). The Board and the AAIG Board believe that the difference in performance of the Companies is largely attributable to the point in the economic cycle when investments were made.

VCTs are required to be listed on a European Union/European Economic Area regulated market. The Companies are, therefore, 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, which have increased significantly over time, 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.

With the above in mind, the Board entered into discussions with AAIG and Albion to consider a merger of the Company and AAIG to create a single, larger VCT. The Board and the AAIG Board announced on 8 August 2013 that they had agreed in principle to merge the Companies. The aim of the boards of the Companies is to create a more stable and resilient base for providing long-term returns to shareholders and to achieve benefits and reductions in the annual running costs for both sets of shareholders.

Merger with AAIG

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

- participation in a more substantial VCT with assets of over £60 million, resulting in a more stable and resilient base for providing long-term returns for shareholders;
- amalgamation of the Companies' portfolios, which are substantially the same, for efficient management and administration and a reduction in annual running costs for the Enlarged Company compared to the total annual running costs of the separate Companies;
- enhancing the potential for the Enlarged Company to raise new funds, as well as pay dividends and support buybacks in the future, whilst potentially increasing liquidity for shareholders; and
- consolidating the shareholdings for the substantial number of shareholders who have holdings in both Companies.

In support of the proposals, Albion has agreed, subject to the merger becoming effective, to reduce the Company's annual running costs cap from an amount equal to 3.5 per cent. of the net assets of the

Company to an amount equal to 3 per cent. of the net assets of the Enlarged Company, as further detailed on page 30 of this document.

In addition, the changes 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 (effective for investments made on or after 6 April 2012), reduces the need for co-investment between sister VCTs to participate in larger investments.

The Scheme

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

- AAIG will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under section 110 of IA 1986; and
- all of the assets and liabilities of AAIG will be transferred to the Company in consideration for the issue of New Shares (which will be issued directly to AAIG 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 AAIG of resolutions to be proposed at the General Meeting and the AAIG Meetings respectively, and the other conditions set out below.

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 essentially 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 AAIG to the Company as part of the Scheme are all considered to be in line with the Company's investment policy, particularly as AAIG only holds shares in two companies in which the Company has not made an investment. The extent of the liabilities (if any) which will be transferred from AAIG 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 being acquired.

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

The Scheme is conditional upon:

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

Subject to the above, the Scheme shall become effective immediately after the passing of the special resolution for the winding up of AAIG to be proposed at the AAIG 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 are not satisfied, the Company will continue in its current form. The merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

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 AAIG, and shall deliver to the Company:

- particulars of all of the assets and liabilities of AAIG;

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

On the Effective Date, the Company and the Liquidators (on behalf of AAIG) 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 AAIG to the Company in exchange for the issue of New Shares (credited as fully paid up) to the AAIG Shareholders on the basis set out below.

In further consideration of such transfer of assets and liabilities of AAIG 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 AAIG and the purchase for cash of any holdings of dissenting AAIG 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 (save as may otherwise be provided in the Scheme terms) will apply:

AAIG Roll-Over Value

The Roll-Over Value will be calculated as:

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

where:

- A = the unaudited net assets of AAIG as at the Calculation Date (taken from the AAIG unaudited management accounts to that date), plus any adjustment that both the Board and the AAIG Board consider appropriate to reflect any other actual or contingent benefit or liability of AAIG;
- B = AAIG's pro rata proportion (by reference to the relative aggregate Roll-Over Value of all the AAIG 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 AAIG incurred by the Company, which will indemnify the Liquidators in respect of all of the costs of AAIG following the transfer on the Effective Date);
- C = the amount estimated to be required to purchase the holdings of AAIG Shares from dissenting AAIG Shareholders (if any); and
- D = the number of AAIG Shares in issue as at close of business on the Record Date (save for any AAIG Shares held by dissenting AAIG Shareholders).

The Company Merger Value

The Merger Value will be calculated as follows:

$$\frac{E - F}{G}$$

where:

- E = the unaudited net assets of the Company as at the Calculation Date (taken from the unaudited management accounts of the Company to that date), plus any adjustment that both the Board and the AAIG Board considers appropriate to reflect any other actual or contingent benefit or liability of the Company;
- F = the Company's pro rata proportion (by reference to the relative aggregate Roll-Over Value of all the AAIG Shares and the aggregate Merger Value of all Shares, but ignoring merger costs) of the costs of the merger; and

G = 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 AAIG Shareholders

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

$$\left(\frac{H}{I}\right) \times J$$

where:

H = AAIG Roll-Over Value;

I = Company Merger Value; and

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

The number of New Shares to be issued pursuant to the Scheme will not be greater than 45 million and will be issued directly to AAIG Shareholders pro rata to their existing holdings (disregarding AAIG Shares held by dissenting AAIG Shareholders) on the instruction of the Liquidators by applying the Merger Ratio to AAIG Shareholders' holdings. 45 million New Shares is considered by the Board to be sufficient to cover the potential number of New Shares required to be issued to AAIG Shareholders on the Effective Date and includes an element of contingency should the Companies' respective NAVs change. As set out below, had the merger been completed on 30 June 2013, approximately 34.24 million New Shares would have been issued.

The Merger Ratio will be rounded down 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.

Share Certificates, Mandates and Listing

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

AAIG Shareholders who are members of the dividend reinvestment scheme operated by AAIG will, unless an AAIG Shareholder advises otherwise in writing to Computershare Investor Service PLC, be transferred into the dividend reinvestment scheme operated by the Company in respect of the New Shares issued pursuant to the Scheme. In addition, dividend payment mandates provided for AAIG Shares will, unless an AAIG Shareholder advises otherwise in writing to Computershare Investor Services PLC, 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.

Scheme Illustration

As at 30 June 2013, the unaudited NAV of an AAIG Share (taken from AAIG's unaudited management accounts to that date) was 65.3 pence. The Roll-Over Value of an AAIG Share (had the merger been completed on that date and calculated in accordance with the above formula, but adjusted for share buybacks by AAIG between 30 June 2013 and 9 October 2013) would have been 64.97 pence (assuming no dissenting AAIG Shareholders).

As at 30 June 2013, the unaudited NAV per Share of the Company (taken from the Half-Yearly Report) was 84.6 pence. The Merger Value of a Share (had the merger been completed on that date and calculated in accordance with the above formula, but adjusted for share buybacks by the Company between 30 June

2013 and 9 October 2013 and the dividend of 2.5 pence per Share to be paid on 31 October 2013) would have been 81.75 pence.

The number of New Shares that would have been issued to AAIG Shareholders (had the merger been completed on 30 June 2013, calculated in accordance with the above formula (on the basis of the above Roll-Over Value and Merger Value) is 34,241,418 (0.7947 New Shares for every AAIG Share held). The New Shares would have been issued to all AAIG Shareholders pro rata to their holdings in AAIG (assuming no dissenting AAIG Shareholders). This ignores the Shares and the AAIG Shares held in treasury to which no value is attributed and, in respect of the AAIG 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 AAIG 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 AAIG'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 AAIG Shareholders.

Cost Savings

Normal annual running costs for the Company and AAIG are approximately £1,116,000 and £928,000 respectively (£2,044,000 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 or performance fees if earned. These annual costs represent approximately 3.1 per cent. of the Company's unaudited net assets and 3.2 per cent. of AAIG's unaudited net assets, in each case as at 30 June 2013.

The aggregate anticipated cost of undertaking the merger is approximately £325,000, including VAT, legal and professional fees, stamp duty and the costs of winding up AAIG. The costs of the merger will be split proportionately between the Company and AAIG by reference to their respective merger net assets at the Calculation Date (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 £182,000 per annum (this represents a saving of £83,000 in respect of directors' fees, £62,000 for registrars, auditors and tax compliance fees, with the balance of the savings being made up of regulatory fees, insurance and printing costs and general day-to-day expenses). The expected annual cost saving of £182,000 would represent 0.3 per cent. 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 22 months.

The Boards believe that the potential cost savings are, however, only one of a number of potential benefits to Shareholders arising from the merger proposals, as further detailed on page 18.

Taxation Summary

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.

AAIG Shareholders

The effective exchange of existing AAIG Shares for New Shares should not constitute a disposal of the existing AAIG 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 AAIG Shares from which they are derived.

For AAIG Shareholders holding (together with their associates) more than 5 per cent. of the AAIG 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 AAIG 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 AAIG Shareholders whose holdings in AAIG are purchased for cash at the break value price shall be treated as having disposed of their Shares in AAIG. If the dissenting AAIG Shareholder has disposed of such AAIG Shares within the holding period required to maintain up-front tax relief, clawback of the income tax relief received will be triggered. As AAIG should still be able to claim the benefit of VCT status whilst in liquidation under the Merger Regulations a dissenting AAIG Shareholder should not be subject to any UK taxation in respect of any capital gains arising from the disposal.

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 AAIG (which form part of the merger costs being allocated to both the Company and AAIG), no UK stamp duty or stamp duty reserve tax will be payable by AAIG Shareholders as a result of the implementation of the Scheme.

Clearance has been obtained from HMRC in respect of the Scheme under section 701 of ITA 2007 and section 138 of TCGA 1992. With regard to the former, the receipt of New Shares should not, 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 AAIG Shareholders on existing AAIG Shares 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 21 November 2000, with registered number 04114310 and the name Close Technology & General VCT PLC. The Company changed its name to Albion Technology & General VCT PLC on 25 March 2009.

The Company was issued with a trading certificate under section 117 of CA 1985 (now section 761 of CA 2006) on 11 December 2000.

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 FCA 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 1 penny each of which 46,590,713 were in issue as at 9 October 2013. The Company held 4,341,070 Shares in treasury as at 9 October 2013.

The Board is considering launching a fundraising later in the year, which would be similar to recent top-up offers undertaken by the Company and limited to a maximum of 10 per cent. of the then issued Shares. Shares would be offered at a price linked to the prevailing net asset value per Share, plus costs.

Selected Financial Information

Certain selected financial information is set out below:

	<i>Audited year ended 31 December (£'000)</i>			<i>Unaudited six month period to 30 June (£'000)</i>	
	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2013</i>	<i>2012</i>
Investment income and deposit interest	1,224	1,257	1,197	571	669
Total profit/(loss) on ordinary activities before taxation	1,522	875	(286)	1,267	297
Net assets					
ordinary shares (Shares)	34,459	33,547	11,073	36,237	34,121
former C shares*	–	–	23,018	–	–
NAV per share (p)					
ordinary shares (Shares)	84.0	85.1	87.6	84.6	83.3
former C shares	–	–	68.1	–	–
Dividends paid per share (p)					
ordinary shares (Shares)	5.0	5.0	8.0	2.5	2.5
former C shares*	–	–	3.0	–	–
Total net asset value return per share (p)					
ordinary shares (Shares)	155.0	151.1	148.6	158.1	151.8
former C shares*	–	–	79.6	–	–

*The C shares merged with the Shares in 2011 on a conversion ratio of 0.7779 Shares for every C share.

The Board of Directors

The Board sets the Company's policies and objectives and ensures that its obligations to the Shareholders are met. The Board has overall responsibility for the Company's affairs, including approving valuations (prepared by Albion) and NAVs (calculated by Albion). Its members have significant relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investing in small companies.

The Board has four non-executive directors; Dr Neil Cross (Chairman), Lt Gen Sir Edmund Burton, Modwenna Rees-Mogg and Patrick Reeve. The Board has appointed Albion as its investment manager and administrator, subject to the overall control and direction of the Board.

The Board and the AAIG 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 and to facilitate the merger, Lt Gen Sir Edmund Burton will step down as a director of the Company and that Robin Archibald and Mary Anne Cordeiro (directors of AAIG) will be appointed as directors of the Company from the Effective Date.

Albion has agreed, subject to the merger becoming effective, that no fees will be charged going forward for the services of Patrick Reeve as a director of the Company. The Directors currently each receive £17,500 per annum, but it is proposed, subject to Shareholders approving the amendment to the Company's Articles at the General Meeting and the merger becoming effective, to increase this to £19,000 per annum from the Effective Date, recognising the fact that neither board has increased their remuneration since launch of their respective company. This will result in reducing the aggregate number of directors from seven across both Companies to five for the Enlarged Company, of which only four will be paid, with an aggregate annual cost saving of approximately £83,000 (inclusive of National Insurance and VAT).

The Directors

Dr Neil Cross FCIS (Chairman)

Dr Neil Cross has extensive experience in private equity and corporate governance. He was formerly an executive director of 3i Group plc from 1989 to 1996, having spent 27 years in a variety of investment and management roles, latterly in charge of the group's international operations. He is a past chairman of the European Venture Capital Association. He has also been a non-executive director of a number of listed and private companies and is presently a non-executive director of BMT Group Limited (chairman) and Caliburn Absolute Strategies SPC.

Lt Gen Sir Edmund Burton KBE, MA, DSc, FIET, FBCS

Lt Gen Sir Edmund Burton has provided advice to government departments on Information Risk and Assurance and on obtaining business benefits from technology investment. He was Deputy Chief of Defence Staff (Systems) from 1997 to 1999, with specific responsibility for developing a balanced and affordable equipment and research programme for the United Kingdom Armed Forces. His military career prior to that included three years as Commandant of the Royal Military College of Science at Shrivenham and two years as military attaché at the British Embassy in Washington. On 31 December 2003, he completed a three year appointment as executive chairman of the Police Information Technology Organisation. He undertook the review of MOD's data losses in 2008 at the request of the Secretary of State. He is a visiting professor at Cranfield University, chairman of the Information Assurance Advisory Council and advisor to the Telecommunications Industry Security Advisory Council.

Modwenna Rees-Mogg MA

Following an early career as a corporate financier at Kleinwort Benson Limited, Modwenna Rees-Mogg founded the online media and live events business AngelNews in 2003, which is focused on the early stage investment market, with a special focus on private investors. The company's activities include The VCT & EIS Investor Forum and the Great British Private Investor Summit. The company also runs the national series of Pitching for Management events where entrepreneurs can find experienced business people to join their senior management team and help them grow. She is on the advisory board of Pickering & Chatto (Publishers) Limited and is the Author of "Dragons or Angels" and "Crowdfunding", books on angel investing and crowd funding respectively. She is a Visiting Fellow at the Bettany School of Entrepreneurship at Cranfield University.

Patrick Reeve MA, ACA

Patrick Reeve 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, working in both the development capital and corporate finance divisions before founding the venture capital division in 1996. He led the buy-out of this business from Close Brothers in 2009, and re-named it Albion Ventures LLP. He is the managing partner of Albion Ventures LLP, is director of AAIG and Albion Enterprise VCT PLC, both managed by Albion, and the chief executive officer of Albion Community Power PLC. He read modern languages at Oxford University. He is a Member of Council of the BVCA and is a member of the Audit Committee of the University College London. He is also a director of UCL Business, the university technology transfer arm.

Proposed Directors**Robin Archibald BCom, CA**

Robin Archibald qualified as a chartered accountant with Touche Ross in Glasgow in 1983, before transferring with Touche Ross to London where he worked in the corporate finance department. Since 1986, he has worked in corporate finance and corporate broking roles, including for Samuel Montagu, SG Warburg Securities, NatWest Wood Mackenzie and is a director of Winterflood Investment Trusts where he was head of corporate finance and broking from August 2004 to August 2013. Since the early nineties, he has concentrated on advising and managing transactions in the UK closed-ended funds sector and has gained a wide experience in fund raising, reorganisations and restructurings for all types of listed funds. Robin Archibald became a director of AAIG on 28 September 2010.

Mary Anne Cordeiro MA

Mary Anne Cordeiro worked at Goldman Sachs International Limited, first in the mergers and acquisitions department and subsequently in the Financial Institutions Group from 1986 to 1992. She worked in similar roles in corporate finance at Bankers Trust Company and Paribas, and was also co-head of Paribas' Financial Institutions Group, before leaving to found her own business in the finance sector in 1998. More recently she has applied her scientific and financial strategy expertise to the commercialisation of innovation and to funding growth of early-stage companies. She currently advises a number of medical technology businesses and has helped develop strategies to bring new products and services to market. Mary Anne Cordeiro became a director of AAIG on 26 July 2004.

Corporate Governance

The Financial Conduct 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 September 2012.

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 December 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 VIII 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 FCA to provide investment management services. The principal legislation under which Albion operates is the provisions of the Limited Liability Partnership Act 2000 and CA 2006 (and regulations made thereunder).

Investment Policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. It is intended that the Company's investment portfolio will be split approximately as follows:

- 40 per cent. in unquoted UK technology related companies; and
- 60 per cent. in unquoted UK non-technology companies.

This split is subject to the availability of good quality new investment opportunities arising within the UK technology and non-technology sectors.

In neither of the categories listed above would portfolio companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of investments (by cost) will comprise loan stock secured with a first charge on the portfolio company's assets.

Albion pursues a longer term investment approach, with a view to providing Shareholders with a strong, predictable dividend flow, combined with the prospects of capital growth. This is achieved in two ways. First, controlling the VCT's exposure to technology risk by ensuring that many of the companies in the non-technology portfolio have property as their major asset, with no external borrowings. Second, by balancing the investment portfolio by sector, so that those areas such as leisure and business services, which are

susceptible to changes in consumer sentiment, are complemented by sectors with more predictable long term characteristics, such as healthcare and the environment.

In addition to the above, HMRC rules govern the Company's investment allocation and risk diversification policies. In order to maintain its status under VCT legislation, the following tests must be met:

- the Company's income must be derived wholly or mainly from shares and securities;
- at least 70 per cent. of the VCT Value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
- at least 30 per cent. by VCT Value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 the figure is 70 per cent.;
- at no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by VCT Value of its investments;
- the Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- eligible shares must comprise at least 10 per cent. by VCT Value of the total of the shares and securities that the Company holds in any one portfolio company; and
- the Company's shares, throughout the year, must have been listed on the Official List.

These tests result in a spread of investment risk through disallowing holdings of more than 15 per cent. by VCT Value in any portfolio company.

'Qualifying holdings' for the Company include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom.

'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Portfolio company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. The maximum each company can receive from State Aided risk capital schemes is £5 million in any twelve month period.

As set out in the Company's articles of association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 December 2012, the Company's maximum possible exposure was £3,343,000 (2011: £3,254,000) and its actual short term and long term gearing at this date was £nil (2011: £nil). The Directors do not currently have any intention to utilise long term gearing.

Investment Portfolios

As at 30 June 2013, the Company had unaudited net assets of £36.2 million (84.6 pence per Share) and, in aggregate, venture capital investments in 42 companies with a carrying value of £34.2 million. As at 30 June 2013, AAIG had unaudited net assets of £28.6 million (65.3 pence per AAIG Share) and, in aggregate, venture capital investments in 38 companies with a carrying value of £26.3 million.

Both of the Companies have essentially the same investment policy. As a result, AAIG only holds shares in two companies in which the Company has not made an investment, whilst the common investments represent approximately 83.3 per cent. and 91.0 per cent. of the unaudited net assets of the Company and AAIG respectively as at 30 June 2013.

Dividends and Returns

The unaudited net asset value total return per Share to Shareholders as at 30 June 2013 for every £1 invested at launch is set out in the table below:

	Shares	Former C Shares**
Total dividends paid*	73.5 pence	21.1 pence
Unaudited NAV	84.6 pence	65.8 pence
Unaudited net asset value total return since launch	<u>158.1 pence</u>	<u>86.9 pence</u>

* Dividends paid per Share since launch. In addition to the total dividends paid in the table above, the Board has declared a second dividend for the current financial year of 2.5 pence per Share to be paid on 31 October 2013 to Shareholders on the register on 4 October 2013.

** The former C shares were merged into the Shares in 2011.

The unaudited net asset value total return per AAIG Share to AAIG Shareholders as at 30 June 2013 for every £1 invested at launch is set out in the table below:

	AAIG Shares
Total dividends paid*	26.7 pence
Unaudited NAV	65.3 pence
Unaudited net asset value total return since launch	<u>92.0 pence</u>

* Dividends paid per AAIG Share since launch.

Dividend Policy

The dividend objective of the Board is to provide Shareholders with a strong, predictable dividend flow, with a dividend target of 5 pence per Share per year.

The Board has declared a second dividend for the current year of 2.5 pence per Share to be paid on 31 October 2013 to Shareholders on the register on 4 October 2013. As the Effective Date of the merger will be after the record date for this dividend, the New Shares to be issued to AAIG Shareholders will not receive this dividend but thereafter will rank *pari passu* with existing Shares.

The Company has historically paid dividends at the end of April and October, while AAIG has historically paid dividends at the end of January and June. Assuming completion of the merger, the Board intends to pay quarterly dividends at the end of January, April, June and October, while targeting a similar annual level of dividend to that currently paid. On that basis, the objective will be to pay four dividends in each year of 1.25 pence per Share.

Dividend Mandates and Dividend Reinvestment Scheme

The Board encourages Shareholders to complete a dividend mandate with the Company, such that Shareholders receive dividends by BACS transfer as opposed to by way of a cheque. The Company also operates a dividend reinvestment scheme, whereby Shareholders can elect to receive additional shares in the Company in place of a dividend payment.

AAIG Shareholders who are members of the dividend reinvestment scheme operated by AAIG will, unless an AAIG Shareholder advises otherwise in writing to Computershare Investor Service PLC, be transferred into the dividend reinvestment scheme operated by the Company in respect of the New Shares issued pursuant to the Scheme. In addition, dividend payment mandates provided for AAIG Shares will, unless an AAIG Shareholder advises otherwise in writing to Computershare Investor Services PLC, be transferred to the Company.

Shareholders or AAIG Shareholders who require further information on the above should contact Computershare Investor Services PLC.

Shareholders should note that Shares issued pursuant to the Company's dividend reinvestment scheme are issued at prices related to the prevailing net asset value per Share which may be higher than the Enlarged Company's market price.

Share Buybacks

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. 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. It is the Board's intention for such buybacks to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

Share buybacks will be subject to having appropriate authorities from Shareholders, the Listing Rules and any applicable law at the relevant time. Shares may be bought back into treasury or cancelled at the Board's discretion.

Annual Investment Management and Administration

Albion is the investment manager of the Company and of AAIG and also provides administration services to both Companies. Albion's appointment is terminable on 12 months' notice.

In respect of the Company, Albion is entitled to an annual fee for investment management and administration services of an amount equal to 2.5 per cent. of the net assets of the Company (plus 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, but excluding exceptional items and performance incentive fees) are capped at an amount equal to 3.5 per cent. of the net assets of the Company, with any excess being paid by Albion or refunded by a reduction in Albion's management and administration fee.

In line with common practice, Albion normally charges arrangement fees of 2 per cent., and monitoring and director's fees, where appropriate, from companies in which the Company invests. Albion may be responsible for external costs, such as legal and accounting fees incurred on transactions that do not proceed to completion.

In respect of AAIG, equivalent arrangements apply in respect of annual investment and administration fees and an annual expenses cap and performance incentive fees.

Albion will continue to provide annual investment management and administration services to the Enlarged Company following the merger on the same basis as is currently in place with the Company, save that Albion has agreed, subject to the merger becoming effective, to reduce the annual running costs cap to an amount equal to 3 per cent. of the net assets of the Enlarged Company.

Performance Incentive Arrangements

The boards of both Companies believe that an effective management performance incentive is in the interests of shareholders. The Companies' current incentives were designed at the time of their respective original launches and, due to their high hurdle rate, are now markedly out of line with the market. In particular, they did not take into account the way in which VCTs are structured, including their need to hold cash.

The Board has reviewed its management performance incentive arrangements in light of the proposed merger, VCT market practice and performance to date and proposes, subject to the approval of Shareholders, to introduce a revised arrangement, which both reduces the hurdle and reduces the proportion of the excess performance that is payable to Albion. In their review, the Board took account of Albion's agreement to reduce the annual running costs cap to an amount equal to 3 per cent. of the net assets of the Enlarged Company, from the current cap of 3.5 per cent. of net assets.

The overriding principle of the new arrangements, which the Board believes should continue, is that the starting point from which performance is measured should be the 100 pence per share at which investors subscribed under the original offers for subscription for each class of share in the Company and, if the merger is effected, AAIG. However, the new performance incentive arrangements vary from the existing

arrangements in three material respects: they will reduce the proportion of any outperformance above the performance hurdle that would be payable to Albion; they introduce a new performance hurdle; and they will apply a new method of fee calculation to take account of the different initial subscription dates and the net asset values of the two Companies.

Assuming the proposed merger is effected, the Shares will be represented by three separate share class launches, each subscribed in a different year. The performance hurdle under the revised performance incentive arrangement will, therefore, be applied against the capital of the Enlarged Company in proportion to the unaudited net assets immediately following the merger attributable to each class originally raised and will be measured against the total return (NAV plus dividends paid) applicable to each of those original share classes.

It is proposed that (i) the amount of the performance incentive fees be reduced, from 20 per cent. currently, to 15 per cent. of the amount by which the net asset value and aggregate dividends exceed 100 pence per share as increased by the hurdle and (ii) the hurdle be amended to RPI plus 2 per cent. per annum (uncompounded) from the date of first admission to the Official List of the relevant class of share. Any such amount would be reduced by previous performance incentive fees paid.

The Board considers that a return based on RPI is a more relevant measure for a long-term savings product such as a VCT investment in a potentially inflation-prone environment, whereas the current 8 per cent. hurdle is typically used by larger unquoted private equity funds which do not hold uninvested cash and which do not incur the costs associated with being a listed company. In recommending this change, however, the Board felt it was also appropriate to reduce the overall proportion of the excess performance that could be paid by the Company to Albion.

The aim of the proposed revised performance incentive arrangement is to adjust the hurdle to a more realistic level and one which is more consistent with VCT market practice, whilst still retaining the principle that Albion should only be rewarded if shareholders have experienced satisfactory returns since launch. Importantly, investment performance would still have to improve by some considerable margin before any fees would be paid. This reflects the confidence of the Board and Albion in the longer term prospects for the portfolio of the Company or, as the case may be, the Enlarged Company.

If the merger is not effected, the performance hurdle will be applied against the capital of the Company in proportion to the unaudited net assets attributable to the original ordinary shares and the former C shares as at the time such share classes were merged. Should Shareholders not approve the revised arrangements, the Company will continue under the existing performance incentive arrangement, with the existing arrangement applying across the enlarged share capital of the Enlarged Company, if the merger is effected.

Example

Based on the unaudited net asset values of the Company and AAIG as at 30 June 2013, the proportion of capital in the Enlarged Company (i.e. assuming the merger is effected) to be allocated against each original share class performance hurdle would be as set out below:

<i>Share class</i>	<i>First admission to the Official List</i>	<i>Share class merger percentage of net assets (%)*</i>	<i>Unaudited net asset value as at 30 June 2013 (£million)</i>	<i>Illustrative proportion of Enlarged Company (%)**</i>
Original ordinary shares	2001	32.9	£11.9	18.4
Former C shares	2006	67.1	£24.3	37.5
		100.0	£36.2	55.9
AAIG Shares	2004		£28.6	44.1
Total			£64.8	100.0

* The net assets of the Company attributable to the original ordinary shares and the former C shares will be split by reference to the percentage of net assets each share class represented at the time they were merged.

** The percentage of net assets each share class represents in the Enlarged Company will be determined by reference to the unaudited net assets immediately following the merger (and will not be adjusted for Shares issued pursuant to top up offers or the dividend reinvestment scheme).

The following table shows the actual return (unaudited) to 30 June 2013 for each fundraising, compared to the proposed and existing hurdles:

	<i>Current unaudited total return as at 30 June 2013 (pence)</i>	<i>Proposed hurdle as at 30 June 2013 (pence)</i>	<i>Existing hurdle as at 30 June 2013 (pence)</i>
Original ordinary shares	158.1	170.9	200.0
Former C shares*	86.9	144.1	160.0
AAIG Shares**	92.0	149.9	196.2

* The former C shares merged with the original ordinary shares on the basis of 0.7779 Shares per former C share. The former C share total return comprises NAV per Share and dividends paid per Share after the merger of the two share classes, both multiplied by 0.7779, together with dividends paid per former C share prior to that merger.

** The total return per AAIG Share, assuming the merger is effected, will be measured on the same principles as the former C shares, using the Merger Ratio at the Effective Date.

Any performance incentive fees payable would be calculated based against the proposed hurdles and in respect of the relevant proportion of the Enlarged Company for each original share class.

This can be illustrated as follows, assuming an actual total return (NAV plus dividends) of 20 pence per Share higher than set out above (equivalent to 15.6 pence per former C share, based on the former C share conversion rate of 0.7779, and 15.9 pence per AAIG Share, based on the illustrative Merger Ratio of 0.7947):

	<i>Illustrative total return (pence)</i>	<i>Proposed hurdle (pence)</i>	<i>Excess return (pence)</i>	<i>15% of excess return (pence)</i>	<i>Proportion of Enlarged Company (%)</i>	<i>Resulting fee per share (pence)</i>
Original ordinary shares	178.1	170.9	7.2	1.1	18.4	0.2
Former C shares	102.5	144.1	N/A	N/A	37.5	N/A
AAIG Shares	107.4	149.9	N/A	N/A	44.1	N/A

The resulting performance fee would have been approximately 0.2 pence per Share (being 15 per cent. of the excess return multiplied by 18.4 per cent., being the relevant proportion of the Enlarged Company). Based on the current number of Shares and the illustrative number of New Shares, the performance fee payable, before deducting performance fees already paid, would have amounted to approximately £153,000. Previous performance incentive fees paid have amounted to approximately £63,500 in aggregate (in respect of historic outperformance of the original ordinary shares).

The Board and the AAIG Board are of the opinion that the revised performance incentive arrangement with Albion is appropriate for the Enlarged Company going forward. If the revised arrangements are not approved by Shareholders, the existing arrangements will continue to apply, with the arrangements applying across the enlarged share capital of the Enlarged Company.

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 VCT investments.

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

Valuation Policy

The Company's investments are all unquoted and valued at fair value through profit or loss in accordance with the IPEVC 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.

The Company's net asset value is calculated by Albion on a quarterly basis, which is published both on the Company's website (www.albion-ventures.co.uk) and on an appropriate regulatory information service. If, at any time, the Company's VCT status is lost, dealings in its Shares and valuation of the Company's net asset value will normally be suspended, which will be communicated to Shareholders on an appropriate regulatory information service until such time as proposals to continue as a VCT or to be wound up have been further announced. The Directors do not anticipate any other circumstance under which valuations may be suspended.

Investor Communications

The Board places a great deal of importance on communicating 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 & Transparency Rules (copies of which can be downloaded from www.albion-ventures.co.uk). Albion also sends 'Venture Matters' newsletters to Shareholders and holds annual shareholder conferences.

Year End

31 December

Announcement and publication of annual report and accounts to Shareholders
Announcement and publication of half-yearly results

March
August

PART III

THE INVESTMENT MANAGER

Albion is one of the largest independent venture capital investors in the UK, managing approximately £230 million across seven VCTs (including the Companies). In January 2009, Albion acquired the business of Close Ventures Limited from Close Brothers Group PLC. Albion is structured as a partnership formed by the former Close Ventures management team.

Albion has an experienced team of 27 and has been managing VCTs since 1996. Its funds are designed to provide a steady level of income and in the 17 years since the first fund launched a dividend has been paid to shareholders in every year.

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

Patrick Reeve's biographical details are set out on page 26 of this document.

Will Fraser-Allen, BA (Hons) FCA

Will Fraser-Allen 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. He became deputy managing partner of Albion in 2009. He has a BA in History from Southampton University.

Adam Chirkowski, MA

Adam Chirkowski joined Albion as an investment manager in 2013 and is focusing primarily on the renewable energy sector. Previously he spent five years working in corporate finance at Rothschild. He graduated from Nottingham University, with a first class degree in Industrial Economics and a masters in Corporate Strategy and Governance.

Dr Andrew Elder, MA, FRCS

Dr Andrew Elder 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 and Bachelors of Medicine and Surgery from Cambridge University and is a Fellow of the Royal College of Surgeons (England).

Emil Gigov, BA (Hons), FCA

Emil Gigov 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

David Gudgin qualified as a management accountant with ICL and spent three years based 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. He joined Albion (then Close Ventures) in 2005 and became a partner in 2009. He is also the managing director of Albion Community Power PLC. He has a BSc in Economics from Warwick University.

Vikash Hansrani, BA ACA

Vikash Hansrani qualified as a chartered accountant with RSM Tenon plc and latterly worked in its corporate finance team, before joining Albion in 2010 where he is currently director of finance. He is also finance director of Albion Community Power PLC. He graduated from Nottingham Business School with a degree in Accounting and Finance.

Ed Lascelles, BA (Hons)

Ed Lascelles joined Albion (then Close Ventures) in 2004. He 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), he started investing in the technology, healthcare, financial and business service sectors. He 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

Dr Christoph Ruedig joined Albion as an investment manager in 2011 and primarily focuses on Albion's healthcare investments, alongside Andrew Elder. He initially practised as a radiologist, before spending three 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

Henry Stanford 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, FCA

Robert Whitby-Smith 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 Johnstone, and is responsible for investments in the leisure, manufacturing and technology sectors. He became a partner in Albion in 2009. He graduated in History at Reading University.

Marco Yu, MPhil, MA, MRICS

Marco Yu 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. He graduated from Cambridge University with a first class degree in Economics and is a Chartered Surveyor.

PART IV

FINANCIAL INFORMATION ON THE COMPANY AND AAIG

Audited financial information on the Company is published in the annual reports for the three years ended 31 December 2010, 2011 and 2012. Unaudited financial information on the Company is published in the half-yearly reports for the six month periods ended 30 June 2012 and 2013.

Audited financial information on AAIG is published in the annual reports for the three years ended 30 September 2010, 2011 and 2012. Unaudited financial information on AAIG is published in the half-yearly reports for the six month periods ended 31 March 2012 and 2013.

The annual reports for the Company for the years ended 31 December 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), now acquired by BDO LLP, and were reported on without qualification and contained no statements under section 495 to section 497A of CA 2006.

The annual reports for AAIG for the years ended 30 September 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), now acquired by BDO LLP, 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 AAIG itself, rather, all of the assets and liabilities of AAIG will be transferred to the Company once AAIG has been placed in members' voluntary liquidation.

The annual reports and half-yearly reports contain a description of the relevant company's financial condition, changes in financial condition and results of operation for each relevant financial year, and the pages of these referred to below (which contain the information as detailed below) are being incorporated by reference and can be accessed at the following website www.albion-ventures.co.uk/ourfunds 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.

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document. The tables below comprise a cross-referenced list of information incorporated by reference. The parts of these documents which are not being incorporated by reference are either not relevant for an investor or are covered elsewhere in the Prospectus.

The Company

	<i>2010 Annual Report</i>	<i>2011 Annual Report</i>	<i>2012 Annual Report</i>	<i>2012 Half-Yearly Report</i>	<i>2013 Half-Yearly Report</i>
<i>Description</i>					
Balance Sheet	Page 40	Page 34	Page 32	Page 12	Page 11
Income Statement (or equivalent)	Page 38	Page 33	Page 31	Page 11	Page 10
Statement showing all changes in equity (or equivalent note)	Page 43	Page 35	Page 33	Page 13	Page 12
Cash Flow Statement	Page 46	Page 36	Page 34	Page 14	Page 13
Accounting Policies and Notes	Pages 49 to 68	Pages 37 to 50	Pages 35 to 48	Pages 15 to 21	Pages 14 to 20
Auditor's Report	Page 37	Page 32	Page 30	Page N/A	Page N/A
Dividends	Page 54	Page 41	Page 39	Page 18	Page 17

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.

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>	<i>2012 Half-Yearly Report</i>	<i>2013 Half-Yearly Report</i>
Objectives	Page 3	Page 3	Page 3	Page 3	Page 3
Financial Highlights	Pages 4 to 6	Pages 4 to 5	Pages 4 to 5	Page 4	Page 4
Chairman's Statement	Pages 7 to 8	Pages 6 to 7	Page 6	Pages 5 to 6	Pages 5 to 6
Manager's Report	Pages 9 to 10	Page 8	Page 7	Page N/A	Page N/A
Portfolio Summary	Pages 13 to 18	Pages 11 to 13	Pages 10 to 12	Page 8 to 10	Pages 8 to 9
Investment Policy	Page 22	Page 17	Page 16	Page N/A	Page N/A
Valuation Policy	Page 49	Page 37	Page 35	Page N/A	Page N/A

AAIG

<i>Description</i>	<i>2010 Annual Report</i>	<i>2011 Annual Report</i>	<i>2012 Annual Report</i>	<i>2012 Half-Yearly Report</i>	<i>2013 Half-Yearly Report</i>
Balance Sheet	Page 31	Page 34	Page 31	Page 10	Page 10
Income Statement (or equivalent)	Page 30	Page 33	Page 30	Page 9	Page 9
Statement showing all changes in equity (or equivalent note)	Page 32	Page 35	Page 32	Page 11	Page 11
Cash Flow Statement	Page 33	Page 36	Page 33	Page 12	Page 12
Accounting Policies and Notes	Pages 34 to 46	Pages 37 to 50	Pages 34 to 47	Page 13 to 19	Pages 13 to 19
Auditor's Report	Page 29	Page 32	Page 29	Page N/A	Page N/A
Dividends	Page 38	Page 41	Page 38	Page 16	Page 16

This information in the annual reports has been prepared in a form consistent with that which will be adopted in AAIG'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>	<i>2012 Half-Yearly Report</i>	<i>2013 Half-Yearly Report</i>
Objectives	Page 3	Page 3	Page 3	Page 3	Page 3
Financial Highlights	Pages 4 to 5	Pages 4 to 5	Pages 4 to 5	Page 4	Page 4
Chairman's Statement	Pages 6 to 7	Pages 6 to 7	Page 6	Pages 5 to 6	Pages 5 to 6
Manager's Report	Page 8	Page 8	Page 7	Page N/A	Page N/A
Portfolio Summary	Pages 11 to 13	Pages 12 to 14	Pages 10 to 12	Page 8	Page 8
Investment Policy	Pages 16 to 17	Pages 17 to 18	Page 16	Page N/A	Page N/A
Valuation Policy	Page 34	Page 37	Page 34	Page N/A	Page N/A

PART V

INVESTMENT PORTFOLIOS AND THE PRINCIPAL INVESTMENTS OF THE COMPANY AND AAIG

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

Investments

	Value (£'000s)	Company Percentage of gross assets (%)	Value (£'000s)	AAIG Percentage of gross assets (%)
Abcodia Limited**	85	0.2	40	0.1
Albion Investment Properties Limited	359	1.0	–	–
Alto Prodotto Wind Limited	449	1.2	346	1.2
AMS Sciences Limited**	869	2.4	1,165	4.0
Aridhia Informatics Limited**	330	0.9	250	0.9
AVESI Limited	134	0.4	113	0.4
Blackbay Limited	1,388	3.8	2,430	8.4
Bravo Inns II Limited**	1,399	3.8	1,219	4.2
Bravo Inns Limited	925	2.5	731	2.5
Chichester Holdings Limited	348	1.0	282	1.0
Cisiv Limited**	160	0.4	97	0.3
Consolidated PR Limited	212	0.6	–	–
Dexela Limited	65	0.2	40	0.1
DySIS Medical Limited	978	2.7	245	0.8
Erin Solar Limited**	50	0.1	29	0.1
Greenenerco Limited	50	0.1	60	0.2
GWH Acquisition Limited	250	0.7	500	1.7
Helveta Limited	915	2.5	667	2.3
Hilson Moran Holdings Limited	384	1.0	245	0.8
Kensington Health Clubs Limited	2,114	5.8	1,842	6.4
Lowcosttravelgroup Limited	775	2.1	2,524	8.7
Masters Pharmaceuticals Limited*	739	2.0	206	0.7
memsstar Limited	711	1.9	549	1.9
Mi-Pay Limited**	1,964	5.4	1,207	4.2
Mirada Medical Limited	1,281	3.5	323	1.1
MyMeds&Me Limited	–	–	113	0.4
Orchard Portman Hospital Limited	1,150	3.1	554	1.9
Oxsensis Limited	544	1.5	374	1.3
Palm Tree Technology Limited	45	0.1	282	1.0
Peakdale Molecular Limited	766	2.1	–	–
Premier Leisure (Suffolk) Limited	214	0.6	214	0.7
Process Systems Enterprise Limited	1,690	4.6	1,305	4.5
Proveca Limited	–	–	182	0.6
Radnor House School (Holdings) Limited	2,853	7.8	1,083	3.8
Regenerco Renewable Energy Limited	471	1.3	329	1.1
Relayware Limited**	404	1.1	232	0.8
Rostima Holdings Limited**	848	2.3	774	2.6
Silent Herdsman Holdings Limited**	133	0.4	82	0.3
sparesFinder Limited	828	2.3	–	–
Taunton Hospital Limited	1,017	2.8	–	–
TEG Biogas (Perth) Limited	624	1.7	202	0.7
The Charnwood Pub Company Limited	1,356	3.7	1,144	4.0
The Dunedin Pub Company VCT Limited*	93	0.3	137	0.5
The Q Garden Company Limited	821	2.2	–	–
The Street by Street Solar Programme Limited	519	1.4	410	1.4
The Weybridge Club Limited	1,134	3.1	2,398	8.3
Tower Bridge Health Clubs Limited*	194	0.5	1,128	3.9
Total investments*	32,638	89.1	26,023	90.1
Current assets*	275	0.8	132	0.5
Cash at bank*	3,693	10.1	2,715	9.4
Gross assets	36,606	100.0	28,870	100.0

* Adjusted to reflect realisations and partial realisations (including the repayment of loan stock) undertaken since 30 June 2013.

** New investments and supplemental investments which have taken place since 30 June 2013 are valued at cost.

The unaudited valuations in this Part V have been sourced from the Company's Half-Yearly Report and AAIGs unaudited management accounts for the quarter ended 30 June 2013, these being the most recent valuations by the Companies, save that:

- (i) both the Company and AAIG realised their holding in Prime Care Holdings Limited on 8 July 2013 for £375,000 and £92,000 respectively;
- (ii) both the Company and AAIG realised their holding in Opta Sports Data Limited on 9 July 2013 for £2.36 million and £1.09 million respectively;
- (iii) the Company has undertaken the following supplemental investments: £24,883 in Rostima Holdings Limited on 24 July 2013; £66,726 in Mi-Pay Limited on 1 August 2013; £88,025 in AMS Sciences Limited on 16 August 2013; and £10,000 in Abcodia Limited on 4 October 2013;
- (iv) AAIG has undertaken the following supplemental investments: £47,500 in Bravo Inns II Limited on 10 July 2013; £21,820 in Rostima Holdings Limited on 24 July 2013; £45,914 in Mi-Pay Limited on 1 August 2013; £117,927 in AMS Sciences Limited on 16 August 2013; and £4,666.67 in Abcodia Limited on 4 October 2013;
- (v) a new investment in Relayware Limited took place on 24 September 2013 of £404,000 by the Company and £232,000 by AAIG;
- (vi) a new investment in Erin Solar Limited took place on 27 September 2013 of £50,000 by the Company and £29,000 by AAIG;
- (vii) a new investment in Silent Herdsman Holdings Limited took place on 2 October 2013 of £132,650 by the Company and £81,630 by AAIG;
- (viii) a new investment in Cisiv Limited took place on 3 October 2013 of £160,022 by the Company and £96,629 by AAIG;
- (ix) a new investment in Aridhia Informatics Limited took place on 4 October 2013 of £330,000 by the Company and £250,000 by AAIG; and
- (x) partial realisations (comprising the repayment of loan stock) of Masters Pharmaceuticals Limited, The Dunedin Pub Company VCT Limited and Tower Bridge Health Clubs Limited have taken place.

Both sets of valuations have been prepared in accordance with each company's valuation policy, which are identical and are as set out under the description of the Company's valuation policy on page 33 above.

Largest investments of the Company and AAIG

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

<i>Investments</i>	<i>VCT</i>	<i>Cost as at 30 June 2013 (£'000)</i>	<i>Movement in valuation (£'000)</i>	<i>Valuation as at 30 June 2013 (£'000)</i>	<i>Percentage of gross assets (%)</i>
Kensington Health Clubs Limited	Company	3,494	(1,380)	2,114	5.8
	AAIG	3,044	(1,202)	1,842	6.4
Radnor House School (Holdings) Limited	Company	1,930	923	2,853	7.8
	AAIG	734	349	1,083	3.8
Blackbay Limited	Company	941	447	1,388	3.8
	AAIG	1,616	814	2,430	8.4
The Weybridge Club Limited	Company	1,314	(180)	1,134	3.1
	AAIG	3,000	(602)	2,398	8.3
Lowcosttravelgroup Limited	Company	680	95	775	2.1
	AAIG	1,560	964	2,524	8.7
Mi-Pay Limited	Company	2,859	(895)	1,964	5.4
	AAIG	1,747	(540)	1,207	4.2
Process Systems Enterprise Limited	Company	706	984	1,690	4.6
	AAIG	545	760	1,305	4.5
Bravo Inns II Limited	Company	1,415	(16)	1,399	3.8
	AAIG	1,255	(36)	1,219	4.2
The Charnwood Pub Company Limited	Company	2,450	(1,094)	1,356	3.7
	AAIG	2,546	(1,402)	1,144	4.0
AMS Sciences Limited	Company	907	(38)	869	2.4
	AAIG	1,216	(51)	1,165	4.0
Orchard Portman Hospital Limited	Company	1,080	70	1,150	3.1
	AAIG	520	34	554	1.9
Bravo Inns Limited	Company	1,430	(505)	925	2.5
	AAIG	1,130	(399)	731	2.5
Mirada Medical Limited	Company	357	924	1,281	3.5
	AAIG	86	237	323	1.1

PART VI

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.

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 receipt by AAIG Shareholders of New Shares should not constitute a disposal of their AAIG Shares for UK tax purposes. AAIG Shareholders should, for UK tax purposes, effectively be able to treat the New Shares received pursuant to the Scheme as if they had been acquired at the same date and at the same cost as the original AAIG Shares. Any up-front income tax relief attaching to the original AAIG Shares will not, therefore, be subject to clawback, but instead will be transferred to the New Shares. As the Company is also a VCT, the usual VCT tax reliefs should continue to apply. As a result, 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.

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

The implementation of the Scheme should neither affect the reliefs obtained by Shareholders on subscription for existing Shares nor affect the status of the Company as a VCT.

Although the Company will be required to pay UK stamp duty on the transfer to it of the assets and liabilities of AAIG (which form part of the merger costs), no UK stamp duty 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.

HMRC Approval

Clearance has been obtained from HMRC in respect of the Scheme under section 701 ITA 2007 and section 138 of 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 VII

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 admitted to trading on a European Union/European Economic Area 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 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.

From 6 April 2012 there is a 'disqualifying purpose' test under which an investment will not be a qualifying investment if the investee company has been set up for the purpose of accessing tax reliefs or is in substance a financing business.

VCT funds raised after 5 April 2012 cannot be used by a Qualifying Company to fund the purchase of existing shares in another company.

3. Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on ISDX 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.

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 VIII

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 21 November 2000 with registered number 04114310 and the name Close Technology & General VCT PLC. The Company changed its name to Albion Technology & General VCT PLC on 25 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 Technology & General VCT PLC. The Company is domiciled in England. The Company is not regulated by the FCA or an equivalent European Economic Area regulator, but it is subject to regulation by HMRC under the VCT rules in order to qualify as a VCT.
- 1.2 On 11 December 2000, 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 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 21 September 2004.
- 1.5 The International Securities Identification Number of the Shares is GB0005581672.

2. Share Capital

- 2.1 The authorised share capital of the Company on incorporation was £100,000 divided into 100,000 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 6 December 2000, the subscriber shares were transferred to Ole Bettum and Patrick Reeve (then employees of the then manager, Close Brothers Investment Limited) and paid up in full in cash.
- 2.3 On 6 December 2000, the ordinary shares were subdivided into ordinary shares of 50p each and the authorised share capital was increased from £100,000 to £15,000,000 by the creation of 29,700,000 ordinary shares of 50p each and 50,000 redeemable preference shares of £1 each.
- 2.4 On 6 December 2000, the Company resolved that the share premium account of the Company be cancelled, such cancellation being confirmed by the Court on 10 August 2001.
- 2.5 On 6 December 2000, so as to enable the Company to obtain a trading certificate under section 117 of CA 1985, the 50,000 redeemable preference shares of £1 each were allotted and issued to Close Brothers Investment Limited and paid up as to one quarter. The redeemable preference shares were redeemed by the Company out of the proceeds of the original offer for subscription and on redemption each such redeemable preference share was redesignated as and sub-divided into two ordinary shares of 50p each.
- 2.6 On 16 December 2005, the authorised share capital was increased from £15,000,000 to £55,000,000 by the creation of 80,000,000 C shares of 50p each.
- 2.7 On 16 December 2005, the Company resolved that the share premium account of the company attributable to the C shares of 50p each be cancelled, such cancellation being confirmed by the Court on 30 June 2006.
- 2.8 On 31 March 2011, the C shares of 50p each merged into the ordinary shares of 50p each in accordance with the mechanism provided for by the articles of association and as a result of such merger, the 36,678,643 C shares of 50p each then in issue and 2,323,567 C shares of 50p each held in treasury were converted into 28,532,316 ordinary shares of 50p each at a ratio of 0.7779

ordinary shares of 50p for each C share held. The ordinary shares of 50p representing fractional entitlements on the conversion were aggregated and sold in the market for the benefit of the Company.

- 2.9 On 22 June 2012, the authorised share capital restriction was removed. Consequently, the Company is no longer restricted by a maximum number of shares which can be issued.
- 2.10 On 22 June 2012, the Company resolved to reduce the nominal value of the ordinary shares of 50p each to 1 penny each and to cancel its capital redemption and share premium reserves, such cancellation being confirmed by the Court on 11 July 2012.
- 2.11 The following allotments and repurchases by the Company have taken place since 1 January 2010 (being the period covered by the historical financial information incorporated by reference into this document):

<i>Allotment Date</i>	<i>Shares Issued</i>	<i>Class of Shares</i>	<i>Issue Price (p)</i>
21 May 2010	33,738	Ordinary (50p)	88.70
21 May 2010	57,168	C	71.20
29 October 2010	34,450	Ordinary (50p)	88.00
29 October 2010	60,068	C	69.10
7 January 2011	344,862	Ordinary (50p)	94.80
7 January 2011	440,166	C	74.30
22 March 2011	360,737	Ordinary (50p)	90.10
22 March 2011	463,769	C	70.10
5 April 2011	474,229	Ordinary (50p)	90.10
16 May 2011	96,099	Ordinary (50p)	85.10
16 May 2011	39,825	Ordinary (50p)	91.10
28 October 2011	105,475	Ordinary (50p)	85.40
10 January 2012	449,000	Ordinary (50p)	88.90
20 March 2012	487,304	Ordinary (50p)	88.90
5 April 2012	736,583	Ordinary (50p)	90.10
30 April 2012	119,999	Ordinary (50p)	82.60
31 May 2012	84,429	Ordinary (50p)	88.30
31 October 2012	116,312	Ordinary (1p)	80.80
19 December 2012	323,593	Ordinary (1p)	86.50
5 April 2013	1,601,492	Ordinary (1p)	86.60
30 April 2013	135,236	Ordinary (1p)	81.50
12 June 2013	640,297	Ordinary (1p)	85.60

<i>Buyback Date</i>	<i>Shares Bought</i>	<i>Class of Shares</i>	<i>Purchase Price (p)</i>
23 April 2010	114,000	C	55.50
28 April 2010	170,000	C	57.50
29 April 2010	56,000	C	58.50
7 May 2010	82,000	C	61.50
25 May 2010	121,886	C	62.00
29 June 2010	20,000	Ordinary (50p)	77.00
29 June 2010	60,000	C	62.00
6 September 2010	76,000	Ordinary (50p)	75.50
6 September 2010	66,500	C	58.75
13 September 2010	23,776	Ordinary (50p)	77.00
13 September 2010	20,000	C	61.00
28 September 2010	110,000	C	61.00
3 November 2010	138,000	Ordinary (50p)	78.00
3 November 2010	71,000	C	61.00
13 December 2010	72,000	C	61.00
23 December 2010	47,849	C	61.00
4 March 2011	290,000	C	59.00
14 March 2011	60,000	Ordinary (50p)	75.50
21 March 2011	47,300	C	60.00

<i>Buyback Date</i>	<i>Shares Bought</i>	<i>Class of Shares</i>	<i>Purchase Price (p)</i>
22 March 2011	173,000	Ordinary (50p)	77.00
17 May 2011	285,000	Ordinary (50p)	77.50
23 May 2011	58,000	Ordinary (50p)	77.50
13 June 2011	104,000	Ordinary (50p)	77.00
21 June 2011	43,000	Ordinary (50p)	77.00
30 August 2011	355,000	Ordinary (50p)	77.00
30 September 2011	55,000	Ordinary (50p)	77.00
4 October 2011	66,000	Ordinary (50p)	77.00
4 November 2011	61,000	Ordinary (50p)	77.00
6 December 2011	56,000	Ordinary (50p)	76.00
14 December 2011	41,000	Ordinary (50p)	76.00
10 April 2012	338,000	Ordinary (50p)	74.00
17 August 2012	312,070	Ordinary (1p)	64.23
4 September 2012	51,000	Ordinary (1p)	62.50
25 October 2012	24,936	Ordinary (1p)	67.75
28 March 2013	190,000	Ordinary (1p)	66.00
19 April 2013	178,000	Ordinary (1p)	75.75
23 April 2013	109,000	Ordinary (1p)	76.75
1 May 2013	74,000	Ordinary (1p)	76.75

2.12 As at 30 June 2013, this being the date to which the Half-Yearly Report was made up, the Company had 47,191,713 Shares in issue (all fully paid up), of which 4,341,070 Shares were held in treasury.

2.13 The following repurchases of Shares have taken place since 30 June 2013:

<i>Buyback Date</i>	<i>Shares Bought</i>	<i>Purchase Price (p)</i>
19 August 2013	548,000	76.76
20 September 2013	53,000	77.80

2.14 As at 9 October 2013 (this being the latest practicable date prior to the publication of this document) the Company had 46,590,713 Shares in issue (all fully paid up), of which 4,341,070 Shares were held in treasury. The total voting rights of the Company as at 9 October 2013 (this being the latest practicable date prior to the publication of this document) was, therefore 42,249,643.

2.15 There are no other shares or loan capital in the Company under option or agreed, conditionally or unconditionally, to be put under option.

2.16 The following resolutions were passed at the annual general meeting of the Company held on 20 June 2013:

2.16.1 That the Directors were 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 £45,366 for Shares, such authority to expire 18 months from the date of the resolution, or at the conclusion of the next annual general meeting of the Company, 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 or rights to subscribe for or convert securities into shares to be granted after the expiry of such period and the Directors may allot shares or grant rights to subscribe for or convert securities into Shares pursuant to such an offer or agreement as if the authority had not expired.

2.16.2 That the Directors were 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 the power is 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; and

- (c) otherwise than pursuant to paragraphs (a) to (b) above, up to an aggregate nominal amount of £45,366

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

2.16.3 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 aggregate 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 the resolution;
- (b) the minimum price, exclusive of any expenses, which may be paid for a Share is 1 penny (exclusive of expenses);
- (c) the maximum price (exclusive of expenses), which may be paid for a Share shall be an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotations (as derived from the Daily Official List) for a Share, for the five business days immediately preceding the date of purchase; and (ii) the higher of the price of the last independent trade and the highest amount independent bid relating to a Share on the trading venue where the purchase is carried out;
- (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire 18 months from the date of the passing of the resolutions or at the end of the next annual general meeting, whichever is earlier save that the Company may at any time before the expiry of the authority enter into a contract or contracts to purchase Shares under this authority before the expiry of the authority which would or might 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.

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

2.17 The following resolutions of the Company will be proposed at the General Meeting of the Company to be held on 4 November 2013:

2.17.1 That, subject to the Scheme becoming unconditional:

- (a) the acquisition of the assets and liabilities of AAIG on the terms set out in the Circular be approved; and
- (b) 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 £450,000 in connection with the Scheme provided that the authority conferred by this paragraph (b) 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).

2.17.2 That, the articles of association of the Company be amended by replacing the director's aggregate remuneration cap of "£75,000" in Article 76 with "£100,000".

2.17.3 That, in addition to existing authorities and the authority conferred by paragraph 2.17.1, the directors of the Company be and hereby are generally and unconditionally authorised in accordance with section 551 of 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 £81,111.17, provided that, the authority so conferred shall expire on the conclusion of the annual general meeting of the Company to be held in 2014 (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.

2.17.4 That, in addition to existing authorities, the directors of the Company be and hereby are empowered pursuant to sections 570 and 573 of CA 2006 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 CA 2006) for cash pursuant to the authority conferred or by way of a sale of treasury shares, as if section 561(1) of CA 2006 did not apply to such allotment, provided that the authority conferred provided by this resolution shall expire on the conclusion of the annual general meeting of the Company to be held in 2014 (unless renewed, varied or revoked by the Company in general meeting) and provided further that this authority 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.

2.17.5 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 CA 2006 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 13,729,447 (or, if lower, such number of shares which represents 14.99 per cent. of the issued share capital of the Company immediately following the issue of shares pursuant to 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 2014 (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.

2.17.6 That:

- (a) 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
- (b) 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.

2.17.7 That the Related Party Transaction (as defined, and details of which are set out, in the Circular) between the Company and Albion Ventures LLP be and hereby is approved.

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, reference to 'Group' means the Company and all subsidiaries for the time being, reference to 'Statutes' means CA 1985, CA 2006 and

every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under CA 1985 and CA 2006 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 Resolution 2 to be proposed at 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

Pursuant to a special resolution passed at the annual general meeting of the Company convened in 2012, the authorised share capital was removed in its entirety from the Articles. Consequently, the Company is not 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 or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, where no resolution has been passed or so far as the resolution does not make specific provision, 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

The Company may in connection with the issue of any shares 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 alter its share capital in accordance with the provisions in any manner permitted by the Statutes.

3.1.5.2 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.

3.2 Variation of rights

3.2.1 Where the capital of the Company is divided into shares of different classes, all or 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 in nominal value 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 apply *mutatis mutandis* 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 in nominal amount 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, each such holder shall be entitled to one vote for every share of the class held by him; and every holder of shares of the class present in person or by proxy may demand a poll.

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 seven clear days' notice, forfeit such share and sell or transfer such forfeited shares on such terms and in such manner 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 registered address of such member or person is located; 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 in, or invalidity of, 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 all or 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 no 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 interests 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 of 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 seven 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):

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:

- (a) attend or vote at any general meeting of the Company either in person or by proxy;
- (b) receive any dividend (including shares issued in lieu of dividend); or
- (c) to transfer or agree 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 in accordance with the Statutes, 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) 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 as the chairman in his absolute discretion sees fit) 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 Statutes, 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; or
- (d) a member or members present in person or by proxy holding shares conferring the 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.

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. 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 seven nor more than 42 clear 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 has been given to the Company, stating the particulars which would, if the director was so appointed, 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 three, 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 £75,000 (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.

Pursuant to Resolution 2 to be proposed at the General Meeting, the reference to “£75,000” in this paragraph 3.9.6 will be amended to “£100,000”.

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 exercise the Company's voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries so as to procure that the aggregate outstanding monies borrowed 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 the 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 allotted 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) where the calculation is required for the purposes of or in connection with which any company is to become or cease to be a subsidiary undertaking, such adjustments as would be appropriate if such transactions had been carried into effect.

3.10.2.3 “Monies borrowed” means:

- (a) the nominal amount of any issued share capital and the principal amount of any debenture or borrowings, together with any fixed or minimum premium payable on redemption the right to redemption or repayment of which is guaranteed or secured by an indemnity by a Group company or is secured on the assets of a Group company;

- (b) the principal amount raised by any Group company by acceptance of credit opened on its behalf by any bank or acceptance house (excluding credit relating to the purchase of goods or services in the ordinary course of trading and outstanding for six months or less) together with the principal amount of any debentures or preference share capital issued by any Group company;

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 six months of being borrowed in the repayment of any money previously borrowed pending its application for such purpose within that period; or
- (e) the proportion of monies borrowed by a Group company which is equal to the proportion of its issued equity share capital not attributable directly or indirectly to the Company; and
- (f) sums which would otherwise fall to be treated as borrowings of the relevant Group company which were treated with the concurrence of the auditors and any current statement of standard accounting practice in the United Kingdom in the latest audited balance sheet of the relevant Group Company as otherwise than borrowed monies of that Group company.

3.10.2.4 To calculate the amount of money borrowed, the gross amount of money borrowed is to be credited against any cash deposited.

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 as to the amount of Adjusted Capital and Reserves or the amount of monies 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 and extent of any interest, direct or indirect, which he may have in any transaction or arrangement with the Company at the board meeting at which the transaction or arrangement 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 a 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, unless the company is one in which he has a relevant interest and 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 CA 2006) to his knowledge holds an interest in shares (as determined pursuant to sections 820 to 825 of CA 2006) 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 arises at any meeting as to the entitlement of any director to vote, count in the quorum or attend any part of the meeting and the question is not resolved by such director voluntarily agreeing to abstain from voting, 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 Conflicts of Interest**

- 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 summarised at 3.11.1 above, 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**

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.

3.12.2 **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**

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, except for the purpose of redeeming or purchasing its own shares in accordance with the Statutes. The Company is not currently registered as an investment company and so members of the Company do not benefit from these rights (notwithstanding their inclusion in the Articles).

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 shareholders in specie 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 four 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.

3.15 **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 The Company is not aware of any person who has, or immediately following the issue of the New Shares pursuant to the Scheme will have, a direct or indirect interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules of the FCA, a holding of 3 per cent. or more must be notified to the Company).

4.2 As at 9 October 2013 (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 AAIG in the issued share capital of the Company and AAIG were as follows:

	<i>Company</i>		<i>AAIG</i>	
		<i>Percentage of issued voting share capital (%)</i>		<i>Percentage of issued AAIG voting share capital (%)</i>
	<i>Shares</i>		<i>AAIG Shares</i>	
Dr Neil Cross	177,790	0.42	–	–
Lt Gen Sir Edmund Burton	54,095	0.13	2,980	0.01
Modwenna Rees-Mogg	3,504	0.01	–	–
Patrick Reeve	354,614	0.84	255,184	0.59
Friedrich Ternofsky	1,639	0.00	12,229	0.03
Robin Archibald	–	–	–	–
Mary Anne Cordeiro	–	–	5,111	0.01

4.3 As at 9 October 2013 (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 section 252 of CA 2006 has any interest in the share or loan capital of the Company.

4.4 Aggregate Directors' emoluments for the current financial year (assuming the merger does not take place) are expected to be £70,000 (excluding applicable employer's National Insurance Contributions and VAT) whilst details of Directors' emoluments for the year ended 31 December 2012 are in the table below.

4.5 Details of the Directors' appointments are as follows:

<i>Director</i>	<i>Date of appointment</i>	<i>Date of appointment Letter*</i>	<i>Current Annual remuneration (£)**</i>	<i>Year to 31 December 2012 remuneration (£)***</i>
Dr Neil Cross	6 December 2000	7 December 2000	17,500	17,500
Lt Gen Sir Edmund Burton	6 December 2000	7 December 2000	17,500	17,500
Modwenna Rees-Mogg	4 October 2012	4 October 2012	17,500	4,400
Patrick Reeve	11 December 2003	2 November 2005	17,500	16,000

* No Director has a service contract with the Company. The Directors have been appointed pursuant to appointment letters which are terminable on three months' notice given by the Company at any time.

** 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. The fees in respect of Patrick Reeve's appointment are payable to Albion. Albion waived fees of £1,500 in the year ended 31 December 2012 while there were five directors in office.

*** Exclusive of applicable employers National Insurance Contributions and VAT. Michael Hart, who died on 24 October 2012, received fees of £14,600 (exclusive of National Insurance Contributions) in the year ended 31 December 2012.

To facilitate the merger, Lt Gen Sir Edmund Burton has agreed to step down as a director of the Company from the Effective Date without compensation or payment in lieu of notice. The Proposed Directors will be appointed as directors of the Company pursuant to appointment letters on the same terms as the other Directors, with each Director's annual remuneration being £19,000 going forward. Albion has agreed that, subject to the merger becoming effective, no fees will be charged going forward for the services of Patrick Reeve as a director of the Company.

4.6 Save as detailed below, there are no potential conflicts of interest between the duties of any Director or Proposed Director and their private interests and/or duties.

4.6.1 Patrick Reeve is the managing partner of Albion (and is, therefore, interested in the fees payable to Albion as set out in paragraph 4.5 above and paragraph 6 below) and is a director and/or shareholder in other VCTs managed by Albion (including AAIG) and is chief executive officer of Albion Community Power PLC. It is acknowledged by the Board that Patrick Reeve is not an independent director for the purposes of the Listing Rules (as further detailed in paragraph 7 below). There are no specific arrangements which are in place to address this conflict, save that the Board reviews and, if appropriate, authorises any conflicts of interest arising from Patrick Reeve's position with Albion as is permitted under the Articles and Patrick Reeve refrains from voting at Board meetings on such matters as appropriate.

4.6.2 Winterflood Securities Limited is one of the appointed marketmakers to the Company. Robin Archibald (a Proposed Director) is a director of Winterflood Investment Trusts and is, therefore, interested in amounts earned by it in its marketmaking capacity in the Shares.

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 Directors 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:

<i>Director</i>	<i>Current</i>	<i>Past five years</i>
Dr Neil Cross	Albion Technology & General VCT PLC Bernard Matthews UK Pension Fund BMT Group Limited Caliburn Absolute Strategies SPC Caliburn Cayman Limited Caliburn Offshore Limited Caliburn Special Situations Master Limited The Bayard Fund The Caliburn Fund The Mary Kinross Charitable Trust	Alliance Unichem Pension Trustee Limited Caliburn Special Situations Limited*
Lt Gen Sir Edmund Burton	Albion Technology & General VCT PLC Chester Cathedral Council Connecting Government Advisory Board Heron Associates (Chester) Limited Information Assurance Advisory Council Philip Barker Charity The Armed Forces Charities Advisory Company Trustworthy Software Initiative	Burton Associates (Chester) Limited (Dissolved)*
Modwenna Rees-Mogg	Albion Technology & General VCT PLC Albion Prime VCT PLC (in members' voluntary liquidation) Dorita Fairlie Bruce Charitable Trust The Shortlist Company Limited TMRM Limited UK Business Angels Association	
Patrick Reeve	Albion Community Power PLC Albion Enterprise VCT PLC Albion Income & Growth VCT PLC Albion Prime VCT PLC (in members' voluntary liquidation) Albion Technology & General VCT PLC Bamboo Investments Limited Bamboo Investments (No.2) Limited C Ventures Limited Evolutions Group Limited (in members' voluntary liquidation) Ferard-Reeve Publishing Limited Radnor Charitable Trust The British Private Equity and Venture Capital Association UCL Business PLC	1KingsArmsYard Albion Limited (Dissolved)* 1KingsArmsYard Albion Protected VCT Limited (Dissolved)* 1KingsArmsYard Development Limited (Dissolved)* 1KingsArmsYard Technology & General Limited (Dissolved)* Albion Investment Properties Limited Evolutions Television Limited Geronimo Inns VCT I Limited (Dissolved)* Geronimo Inns VCT II Limited (Dissolved)* Kings Arms Yard VCT PLC Opta Sports Data Limited Smiles Brewing Company Limited (Dissolved)* Vealnamco (123) Limited (in liquidation)
Robin Archibald	Albion Income & Growth VCT PLC	

<i>Director</i>	<i>Current</i>	<i>Past five years</i>
Mary Anne Cordeiro	Albion Income & Growth VCT PLC Balletboyz Limited Deccan Heritage Foundation Limited Flexycast Limited Holland Park Gardens (Management) Company Limited Myoton Limited Science To Business Limited	Blue John Stone Limited (Dissolved)* CHLTC Limited Flexnlock Limited (Dissolved)*

4.10 Neither the Directors nor the Proposed Directors have any convictions in relation to fraudulent offences during the previous five years.

4.11 Save for 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, and save as disclosed in this paragraph, there were no bankruptcies, receiverships or liquidations of any companies or partnership where any of the Directors (or the Proposed Directors) 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.

4.11.1 Patrick Reeve and Modwenna Rees-Mogg are directors of Albion Prime VCT PLC which was placed in members' voluntary liquidation on 25 September 2012 pursuant to a merger with Albion Venture Capital Trust PLC.

4.11.2 Patrick Reeve is also a director of Evolutions Group Limited which was placed into members' voluntary liquidation on 20 December 2011. As at the date of the latest filed liquidator's progress report there were no secured or preferential creditors, £27,664.90 had been paid to unsecured creditors and £3,757,521.60 had been distributed to shareholders (constituting a total return on capital of 1.45 pence per £1 ordinary share).

4.11.3 Patrick Reeve was also a director of Vealnamco (123) Limited until 1 July 2009. The company subsequently was placed into administration on 18 May 2010 and moved from administration to creditors' voluntary liquidation on 6 May 2011. As at the date of the latest filed liquidator's progress report a first and final payment of £163,045 had been made to the only secured creditor to satisfy the outstanding balance of £580,714.05. Also as at the date of the latest filed liquidator's progress report the liquidator had accepted one claim from an unsecured creditor amounting to £83,308.42 of which a distribution of £2,500 has been made. It is anticipated that a second and final distribution will be made to the unsecured creditor shortly.

4.12 There have been no official public incriminations and/or sanctions of any Directors or the Proposed Directors by statutory or regulatory authorities (including designated professional bodies) and no Director or the Proposed Directors have 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 AAIG 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 into, other than in the ordinary course of business, 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 14 December 2000 between the Company (1) and Albion (2), as novated, amended and supplemented, 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 equal to 2.5 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).

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 and performance incentive fees) are capped at an amount equal to 3.5 per cent. of the 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 is also entitled to charge and retain arrangement fees of an amount equal to no more than 2 per cent. of each investment made by the Company, together with monitoring and director's fees, payable by each portfolio investee company.

Albion is currently entitled to performance incentive fees equal to 20 per cent. of the amount by which the net asset value and aggregate dividends paid (total return) exceed 100 pence per share as increased by 8 pence per annum since the date of first admission to the Official List of the ordinary shares and former C shares, less any performance fees already paid. Fees under the arrangement (if any) are assessed and paid annually by reference to the end date of a financial period and in respect of each share in issue on that date.

Although the former C shares were merged into the ordinary shares to form one class of share (these being the Shares) in 2011, it has been agreed that the original C share hurdle is applied to the proportion of the capital which the former C shares represented at the time the two share classes merged (this being 67.1 per cent. of the enlarged capital of the Company at that time). The C share total return is measured by aggregating the dividends paid per former C share with the NAV and dividends paid per Share after the merger of the share classes, adjusted to reflect the number of Shares issued per former C share (this being 0.7779).

In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before Albion is entitled to any incentive fee in respect of such future periods. These fees, if applicable, will be paid annually.

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 or by either party if the other 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 FCA 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 as set out in paragraph 6.2.3 below.

- 6.1.2 An allocation of investments agreement dated 8 December 2010 (as supplemented by a side letter dated 6 June 2013) between Albion and the various VCTs it manages (including the Company), 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. It further provides that in respect of potential renewable energy projects, the various VCTs which Albion manages shall be entitled to the allocation of the first £42.5 million of such opportunities.
- 6.1.3 A letter of engagement dated 20 September 2013 between the Company and Howard Kennedy Corporate Services LLP, pursuant to which Howard Kennedy Corporate Services 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 applicable Resolutions at the General Meeting and, in the case of paragraphs 6.2.1 and 6.2.2, the Scheme becoming effective:
 - 6.2.1 A transfer agreement between the Company and AAIG (acting through the Liquidators) pursuant to which all of the assets and liabilities of AAIG 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 AAIG will be transferred on receipt to the Company as part of the Scheme. This agreement will be entered into as part of the Scheme and is subject to non-material amendments.
 - 6.2.2 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 and is subject to non-material amendments.
 - 6.2.3 A deed of amendment between the Company and Albion to the investment management agreement referred to at paragraph 6.1.1 above pursuant to which the investment management agreement will be amended as follows:
 - 6.2.3.1 if the merger is effected, the annual expenses cap referred to in paragraph 6.1.1 above will be amended to an amount equal to 3 per cent. of net assets of the Company; and
 - 6.2.3.2 if Resolution 7 to be proposed at the General Meeting is approved by Shareholders, the existing performance related incentive arrangement will be replaced with the Revised Performance Incentive Arrangement, as more particularly detailed in Part II of this document.

This deed will be entered into subject to non-material amendments and subject to being amended, as may be required, to delete or update provisions dependent on, as applicable, the merger and/or the passing of Resolution 7.

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.

Dr Neil Cross is the chairman of the Company and Lt Gen Sir Edmund Burton is the senior independent director.

The Board has an independent chairman, Dr Neil Cross, and Lt Gen Sir Edmund Burton and Modwenna Rees-Mogg are also considered to be independent. Patrick Reeve is not an independent director as he is the managing partner of Albion.

Dr Neil Cross, Lt Gen Sir Edmund Burton and Patrick Reeve have all 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.

7.2 Audit Committee

The Audit Committee consists of all Directors, save for Patrick Reeve. Dr Neil Cross is currently Audit Committee Chairman, however, it has been agreed that should the merger be effected, Robin Archibald will be appointed the Audit Committee Chairman of the Enlarged Company. 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 and financial reporting;
- reviewing the Company's financial controls;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the Annual Report and Financial Statements of the Company and any formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgments contained in them;
- meeting the Company's external auditor annually, evaluating the performance of the external auditor and making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving their remuneration and terms of engagement;
- 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;
- monitoring and reviewing the effectiveness of Albion's internal audit function;
- ensuring that all Directors of the Company and staff of companies which provide services to the Company feel able to raise matters of serious concern with the Chairman of the Audit Committee, and that these issues, when 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;
- undertaking the duties of the Engagement Committee, and reviewing the performance of Albion and all matters arising under the management agreement;

- advising the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- reporting to the Board on how it has discharged its responsibilities.

During the year ended 31 December 2012, the Audit Committee discharged its responsibilities including:

- formally reviewing the final annual report and financial statements, the half-yearly report, the 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;
- highlighting specific issues relating to the financial statements including the reasonableness of valuations, compliance with accounting standards and UK law, corporate governance and listing and disclosure rules as well as going concern. These issues were addressed through detailed review, discussion and challenge by the board of these matters, as well as by reference to underlying technical information;
- advising the board on whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; 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. It assesses the external auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of its quality assurance procedures. In advance of each audit, the Audit Committee obtains confirmation from the external auditor that it is independent and of the level of non-audit fees earned by it and its affiliates. There were no non-audit fees charged to the Company during the year.

7.3 **Nomination Committee**

The Nomination Committee consists of all Directors, save for Patrick Reeve, with Dr Neil Cross 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.

7.4 **Internal control**

In accordance with the UK Corporate Governance Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the UK Corporate Governance 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, acknowledging that such a system is designed to manage, rather than eliminate, the risks of failure to achieve the Company's business objectives, such controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Audit Committee, monitors all controls, including financial, operational and compliance controls, and risk management. The Audit Committee 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 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 Audit Committee's attention.

The Board, through the Audit Committee, performed a specific assessment for the purpose of the Annual Report. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities. The main features of the internal control system with respect to financial reporting, implemented throughout the year are:

- segregation of duties between the preparation of valuations and recording in accounting records;
- independent valuations of the majority of the asset backed investments within the portfolio undertaken annually;
- reviews of valuations are carried out by the managing partner 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 the FCA 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.

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 had 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. Littlejohn LLP report formally to the Board on an annual basis. The Board and the Audit Committee will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

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 50 pence 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 and Albion (as detailed in paragraph 4.4 above), the fees paid to Albion in respect of its management and administration arrangements (as detailed in paragraph 6.1.1 above), and the fees paid to Albion in respect of promoting the recent top-up offers of £nil, £3,450, £6,740 and £3,186 in the years ended 31 December 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 December 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 9 October 2013 (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 30 June 2013 (extracted from the Half-Yearly Report), is set out below. There has been no material change in the capitalisation of the Company between 30 June 2013, the date of the Half-Yearly Report and 9 October 2013, the latest practicable date before the date of publication of this document.

<i>Shareholders' Equity</i>	<i>£'000</i>
Called-up share capital	472
Share premium account	2,300
Other reserves	33,465
Total	<u>36,237</u>

Significant Change

- 10.4 There has been no significant change in the financial or trading position of the Company since 30 June 2013, the date to when the Half-Yearly Report was made up to, to the date of this document.
- 10.5 There has been no significant change in the financial or trading position of AAIG since 31 March 2013, the date to when the AAIG Half-Yearly Report was made up to, to the date of this document.
- 10.6 The participation of the Company in the Scheme will constitute a significant gross change in relation to the Company. Had the Scheme become effective on 30 June 2013, this being the date to which the Half-Yearly Report was made up to and the latest published financial information of the Company) and had the Company completed the acquisition of all of the assets and liabilities of AAIG on that date, the effect of this significant gross change would have been to increase the net assets of the Company by approximately £27.7 million (this being the net asset value of AAIG as at 31 March 2013 (this being the date to which the AAIG Half-Yearly Report was made up to), less the estimated costs of the merger payable by both Companies of £325,000). The assets to be acquired as part of the Scheme are expected to consist of investments in 39 companies with an unaudited value of £25.4 million and £2.6 million in cash and other assets (as at 31 March 2013, taken from the Half-Yearly Report). The extent of the liabilities (if any) which will be transferred from AAIG to the Company as part of the merger will be those which are incurred in the ordinary course of business (£301,000 as at 31 March 2013, taken from the Half-Yearly Report) together with the merger costs which remain unpaid at the time of transfer. The Company would have derived earnings from the acquisition of the assets in the same manner as earnings are derived from its current invested assets and, therefore, the Scheme is expected to have had an earning enhancing impact on the earnings of the Company if the Scheme had become effective on 1 January 2013 (this being the first day of the current financial year).

Other

- 10.7 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.
- 10.8 There have been no important events so far as the Company and the Directors (and the Proposed Directors) are aware relating to the development of the Company or its business.

- 10.9 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 Directors) are aware.
- 10.10 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 Directors are aware.
- 10.11 Howard Kennedy 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 VII 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 pages 27 and 28 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. The merger by way of the Scheme, however, will be outside the provisions of the City Code on Takeovers and Mergers.
- 10.20 Had the Scheme been implemented on 9 October 2013, being the latest practicable date before the date of publication of this document, based on the relative unaudited net asset values of the Company and AAIG as at that day (taking into account share issues and buybacks in either of the Companies between 30 June 2013 and 9 October 2013 and the dividend of 2.5 pence per Share to be paid on

31 October 2013), 34,241,418 New Shares would have been issued to AAIG Shareholders credited as fully paid up representing 42.4 per cent. of the enlarged issued share capital of the Company and 44.8 per cent. of the enlarged voting share capital of the Company (73.5 per cent. of the current issued share capital of the Company and 81.0 per cent. of the current voting share capital of the Company).

- 10.21 All third party information in this document has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant party, no facts have been omitted which would render such reproduced information inaccurate or misleading.

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 December 2010, 2011 and 2012 and Half-Yearly report for the six month periods to 30 June 2012 and 2013;
- 11.3 the audited report and accounts of AAIG for the financial years ended 30 September 2010, 2011 and 2012 and AAIG Half-Yearly report for the six month periods to 31 March 2012 and 2013;
- 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 paragraph 10.11 above;
- 11.6 the AAIG Circular;
- 11.7 the Circular; and
- 11.8 this document.

10 October 2013

