

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or otherwise transferred all of your Shares in Unicorn AIM 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 29 January 2010, has been prepared in accordance with the prospectus rules made under Part VI of the Financial Services and Markets Act 2000.

The Company, the Directors and the Proposed Directors, whose names appear on page 23 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.

Howard Kennedy, which is authorised and regulated in the United Kingdom by the Financial Services Authority, 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 (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.

Martineau, which is regulated in the United Kingdom by the Solicitors Regulation Authority, is acting as legal adviser to the Company and Unicorn AIM VCT II plc and no-one else and will not be responsible to any other person for providing advice in connection with any matters referred to herein.

The existing Shares issued by the Company are listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange’s market for listed securities. Application has been made to the UK Listing Authority for all of the New Ordinary Shares to be issued as described herein to be listed on the Official List and will be made to the London Stock Exchange for such New Ordinary 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 Ordinary Shares will commence within three days of the allotment of such New Ordinary Shares.

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# **UNICORN AIM VCT PLC**

*(Registered in England and Wales with registered number 04266437)*

## **Prospectus**

### **relating to the issue of New Ordinary Shares in connection with the scheme of reconstruction of Unicorn AIM VCT II plc**

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The attention of Shareholders of the Company who are resident in, or citizens of, territories outside the United Kingdom is drawn to the information under the heading “Overseas Shareholders” in paragraph 5 of Part IX of this document. In particular, the New Ordinary 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 7 and 8 of this document.

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## SUMMARY

This summary should be read as an introduction to this Prospectus. Any decision to invest in the transferable securities of the Company should be based on consideration of the Prospectus as a whole by such investors. 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 the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

### Background

In September 2004, the Merger Regulations were introduced allowing VCTs to be acquired by, or merge with, each other without prejudicing tax reliefs obtained by their shareholders. As a VCT becomes fully invested, its net assets may start to decrease and its running costs can become a proportionally greater burden, especially if the VCT has the added burden of separate classes. A larger VCT with one class of share is, therefore, better placed to absorb such running costs and may, as a result, be able to pay a higher level of dividends to shareholders.

### Merger with VCT II

The Company and VCT II have the same investment manager, investment policies and common advisers. Following detailed consideration of the portfolio and financial position of VCT II, the Board has reached an agreement with the VCT II Board to merge the two companies. The Board considers that this Merger will bring significant benefits to both groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the aggregate annual running costs of the separate companies and relevant separate share classes in both companies;
- creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration and management costs;
- participation in a larger VCT with a more diversified portfolio thereby spreading risk across a broader range of investments;
- the potential to pay greater distributions in the future;
- increased ability to maintain a buy-back programme; and
- increased flexibility in continuing to meet the various requirements for qualifying VCT status.

The Board believes that the Proposals provide an efficient way of effecting a Merger with a lower level of costs compared with other merger routes.

### The Share Consolidation and Merger with VCT II

The Company will firstly (but subject to the Scheme becoming unconditional) complete the Share Consolidation by converting the Ordinary Shares and S2 Shares into S3 Shares (to be renamed as New Ordinary Shares) on a relative NAV basis. Immediately following the Share Consolidation, the Scheme will be completed and effected by VCT II being placed into members' voluntary liquidation and for all of its assets and liabilities being transferred to the Company in consideration for New Ordinary Shares being issued directly to the shareholders of VCT II. The Merger with VCT II will also be completed on a relative net asset value basis so that the VCT II Shares will effectively be merged into the New Ordinary Shares class of the Company by reference to the Merger Ratio.

Following the transfer, the listing of the VCT II Shares will be cancelled and VCT II will be wound up.

### Effect of the Scheme

As at 31 December 2009, the unaudited NAVs of the Company (taken from the unaudited management accounts of the Company to 31 December 2009) were 57.06p per Ordinary Share, 72.54p per S2 Share and 93.37p per S3 Share.

As at 31 December 2009, the unaudited NAV of the VCT II Shares in aggregate (taken from the unaudited management accounts of VCT II to 31 December 2009) was £25,888,482. The Roll-Over Value (this being the unaudited NAV of VCT II as at 31 December 2009, after adjustments in relation to

the Scheme and anticipated Merger costs, divided by the number of VCT II Shares in issue), would have been 71.80p (assuming no dissenting VCT II shareholders) had the Scheme been implemented on that date.

The number of New Ordinary Shares to be issued to the VCT II shareholders would then have been calculated by multiplying the number of VCT II Shares in issue by the Merger Ratio, this being the Roll-Over Value divided by the Company's Merger Value. The New Ordinary Shares would then have been split between the holders of VCT II Ordinary Shares and VCT II C Shares by reference to their unaudited NAVs as at 31 December 2009 (assuming no dissenting VCT II shareholders) and issued to each class of VCT II shareholders pro-rata to shareholdings on that date. This would effectively have given 0.84 New Ordinary Shares for every VCT II Ordinary Share and 0.76 New Ordinary Shares for every VCT II C Share (assuming no dissenting VCT II shareholders) had the Merger been completed on 31 December 2009.

### **The Board**

The current Board comprises four non-executive directors: Peter Dicks (Chairman), Jocelin Harris, David Royds and James Grossman. Subject to the Merger becoming effective, David Royds has agreed to resign as a director of the Company and Malcolm Diamond and Jeremy Hamer (directors of VCT II) will be appointed as directors of the Company.

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 and NAVs (recommended by Unicorn AM) and, together, its members have significant relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investee companies.

### **Revised Management Fees**

Unicorn AM will continue as the investment manager of the Company on its existing annual management fee arrangements of an amount equivalent to 2 per cent. of the net assets of the Company per annum (this being the same level of annual management fee paid in respect of VCT II), save for investments made by the Company in other Unicorn AM managed funds when their fee is waived. Subject to Shareholder approval, the Board proposes, however, in light of the Merger and in recognition of Unicorn AM's support of the Merger by contributing £100,000 to the costs, to provide for a new initial three year appointment term from the Effective Date of the Merger, subject to a 12 months' notice period which may be given by either party after the second year.

Unicorn AM is currently entitled to performance incentive fees in relation to the performance of the various separate share classes within both the Company and VCT II which, if the Merger becomes effective, will be terminated and new arrangements put in place for accounting periods after 30 September 2010 (Unicorn AM having agreed to forego any incentive fee for the current year). In addition, Matrix-Securities Limited, which is also entitled to performance incentive fees, has agreed to waive its rights to such fees.

The proposed revised performance incentive will be based on the arrangements currently in place for the S3 Shares fund and VCT II. The revised arrangements will entitle Unicorn AM to 20 per cent. of subsequent cash distributions made to shareholders in the Enlarged Company (whether by dividend or otherwise) over and above the Target Return in any accounting period. The Target Return for these purposes will be 6p per New Ordinary Share (or, if the relevant accounting period is less than or greater than 12 months, an amount equal to a pro rata reduction or increase to 6p per New Ordinary Share for that accounting period). Such payment will continue to be subject to a NAV maintenance 'high-watermark test' but, in light of the Merger and the contribution Unicorn AM has agreed to make to the costs of the Merger, this will be rebased to the closing average NAV per New Ordinary Share in the relevant period equal to the NAV of a New Ordinary Share as at 30 September 2010 (i.e. the date from which the revised performance incentive fee will apply).

### **Investment Objectives and Summary of the Investment Policy**

The Company's investment objective is to provide holders of Shares with an attractive return from a diversified portfolio of investments predominantly in the shares of AIM quoted companies, by maximising the stream of dividend distributions from the income and capital gains generated by the portfolio.

To achieve the Company's investment objective the investment policy, in summary, requires Unicorn AM to identify and invest in a diversified portfolio, predominantly of VCT qualifying companies quoted on AIM, that displays a majority of the following characteristics:

- experienced and well-motivated management;
- products and services supplying growing markets;
- sound operational and financial controls; and
- good cash generation to finance development allied with a progressive dividend policy.

### **Dividend**

For the year ended 30 September 2009 the Board declared interim capital dividends of 3.5p per Ordinary Share and 2.5p per S2 Share, to be paid on the Dividend Payment Date to those holders of such Shares on the Company's register on the Dividend Record Date. The Board declared the Dividends as interim dividends to allow for their early payment in light of the delay to the date of the Annual General Meeting this year. VCT II has also declared the VCT II Special Dividends of 6p per VCT II Ordinary Share and 0.45p per VCT II C Share, conditional on the Merger becoming effective. The effect of this will be to distribute cash available within VCT II to the holders of VCT II Shares who are on the register prior to the Merger becoming effective. The VCT II dividends (as these will be unpaid) will be taken into account as an adjustment in the calculation of the VCT II Roll-Over Value.

Following the Merger, the Board intends to continue the policy of maximising dividend distributions to Shareholders from the income and capital gains generated by the portfolio. It will, however, also be mindful of the need to retain sufficient funds to keep costs to an acceptable percentage of net assets.

### **Share Buy-Backs**

The Board believes that it is in the best interests of the Company and its shareholders to make occasional market purchases of its Shares, given the limited secondary market for VCT shares generally, and to seek both to enhance NAV and to reduce to a degree any prevailing discount to NAV in the current market price than might otherwise prevail. The Board agrees the discount to NAV at which Shares will be bought back and regularly reviews this policy.

The Board intends to continue with the above buy-back policy following the Merger and subject to the approval of Shareholders.

### **Risk Factors**

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

- Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and the Scheme becoming effective.
- The value of Shares can fluctuate and Shareholders may not get back the amount they invested.
- Although the existing Shares have been (and it is anticipated that the New Ordinary Shares to be issued pursuant to the Scheme will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.
- The past performance of the Company, VCT II and/or Unicorn AM is no indication of future performance.
- The Company's investments may be difficult, and take time, to realise.
- 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 Company invests, to be fully reflected in their market values.
- Investment in AIM-traded, PLUS market-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List.
- Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to

meet the qualifying requirements could result in Shareholders losing the tax reliefs available for VCT shares, resulting in adverse tax consequences.

- If a Shareholder disposes of his or her Shares within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed.
- If at any time VCT status is lost for the Company, dealings in its Shares will normally be suspended until such time as proposals to continue or to be wound-up have been announced.
- 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.
- Any purchaser of existing Shares in the secondary market will not qualify for the then (if any) available tax reliefs afforded to subscribers of new VCT shares on the amount invested.
- Shareholders may be adversely affected by the performance of the investments, whether acquired from VCT II or made by the Company, which may restrict the ability of the Company following the merger to distribute any capital and revenue gains achieved on the investments transferred from VCT II 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 VCT II, or the investments of the Company, are or become unable to meet VCT requirements.

### **Taxation**

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.

The effective exchange of existing VCT II Shares for New Ordinary Shares will not constitute a disposal of the existing VCT II Shares for the purposes of UK taxation. Instead, the new holding of New Ordinary Shares will be treated as having been acquired at the same time and at the same cost as the existing VCT II Shares from which they are derived.

## 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 are not the only ones the Company, the Board 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.**

Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and the Scheme becoming effective. 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.

The value of Shares can fluctuate and Shareholders may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any Share buy-back policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV.

Although the existing Shares have been (and it is anticipated that the New Ordinary Shares to be issued pursuant to the Scheme will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and, therefore, there may not be a liquid market (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 may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

The past performance of the Company, VCT II and/or Unicorn AM is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall.

Although the 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 may 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 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 Company invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.

Investment in AIM-traded, the PLUS market-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes. In addition, the market for securities 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 securities. Proper information for determining their value or the risks to which they are exposed may also not be available. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.

Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in Shareholders losing the tax reliefs available for VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should the Company lose its VCT

status, dividends and gains arising on the disposal of Shares would become subject to tax and the Company would also lose its exemption from corporation tax on its capital gains.

If a Shareholder disposes of his or her Shares within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. For these purposes, the date of issue of the New Ordinary Shares issued pursuant to the Scheme will be the original date of issue of the VCT II Shares in respect of which such New Ordinary Shares are issued.

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

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.

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

Changes in legislation, including those proposed in the Pre-Budget Report 2009, concerning VCTs in general and qualifying holdings and qualifying trades in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

Shareholders may be adversely affected by the performance of the investments, whether acquired from VCT II or made by the Company under its separately managed Share classes. The performance of the investments in VCT II as well as the investments of the Company, may restrict the ability of the Company following the Merger to distribute any capital and revenue gains achieved on the investments transferred from VCT II 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 Merger, be shared amongst the holders of all Shares then in issue.

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

## EXPECTED TIMETABLES

### EXPECTED TIMETABLE FOR THE COMPANY

Dividend Record Date	8 January 2010
Dividend Payment Date	29 January 2010
Latest time for receipt of forms of proxy for the Annual General Meeting	3.00 pm on 23 February 2010
Latest time for receipt of forms of proxy for the Extraordinary General Meeting	3.30 pm on 23 February 2010
Latest time for receipt of forms of proxy for the Ordinary Share Class Meeting	3.40 pm on 23 February 2010
Latest time for receipt of forms of proxy for the S2 Share Class Meeting	3.45 pm on 23 February 2010
Latest time for receipt of forms of proxy for the S3 Share Class Meeting	3.50 pm on 23 February 2010
Annual General Meeting	3.00 pm on 25 February 2010
Extraordinary General Meeting	3.30 pm on 25 February 2010
Ordinary Shares Class Meeting	3.40 pm on 25 February 2010
S2 Shares Class Meeting	3.45 pm on 25 February 2010
S3 Shares Class Meeting	3.50 pm on 25 February 2010
Record Date for the Share Consolidation	8 March 2010
Calculation Date	after 5.00 pm on 8 March 2010
Effective Date for the Share Consolidation and the subsequent transfer of the assets and liabilities of VCT II to the Company and the issue of New Ordinary Shares pursuant to the Scheme*	9 March 2010
Announcement of the results of the Merger	9 March 2010
Admission of and dealings in the New Ordinary Shares to commence	10 March 2010
CREST accounts credited with New Ordinary Shares (in respect of the Share Consolidation and Scheme)	11 March 2010
Certificates for the New Ordinary Shares dispatched (in respect of the Share Consolidation and Scheme)	15 March 2010

(\*this will, therefore, be the final expected date of trading of the Ordinary Shares and S2 Shares)

## EXPECTED TIMETABLE FOR VCT II

Date from which it is advised that dealings in VCT II Shares should only be for cash settlement and immediate delivery of documents of title	12 February 2010
Latest time for receipt of forms of proxy for the VCT II First Extraordinary General Meeting	4.00 pm on 23 February 2010
Latest time for receipt of forms of proxy for the VCT II Ordinary Share Class Meeting	4.10 pm on 23 February 2010
Latest time for receipt of forms of proxy for the VCT II C Share Class Meeting	4.15 pm on 23 February 2010
VCT II First Extraordinary General Meeting	4.00 pm on 25 February 2010
VCT II Ordinary Share Class Meeting	4.10 pm on 25 February 2010
VCT II C Share Class Meeting	4.15 pm on 25 February 2010
Latest time for receipt of forms of proxy for the VCT II Second Extraordinary General Meeting	10.00 am on 7 March 2010
Record Date for VCT II shareholders' entitlements under the Scheme	8 March 2010
VCT II Register of Members closed	8 March 2010
VCT II Special Dividend Record Date	8 March 2010
Calculation Date	after 5.00 pm on 8 March 2010
Dealings in VCT II Shares suspended	7.30 am on 9 March 2010
VCT II Second Extraordinary General Meeting	10.00 am on 9 March 2010
Effective Date for the Share Consolidation and the subsequent transfer of the assets and liabilities of VCT II to the Company and the issue of New Ordinary Shares*	9 March 2010
Announcement of the results of the Scheme	9 March 2010
Cancellation of the VCT II Shares' listings	after 8.00 am on 10 March 2010
Certificates for the New Ordinary Shares dispatched	15 March 2010
VCT II Special Dividend payment date	19 March 2010

(\*see further timetable for the Company on page 9 with regard to admission, CREST accounts being credited and certificates being dispatched)

## CORPORATE INFORMATION

### Directors

Peter Frederick Dicks (Chairman)  
James H Grossman  
Jocelin Montague St John Harris  
David John George Royds  
(all of the registered office)

### Registered Office

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### Company Number

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### Investment Manager

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### Company Secretary and Administrator

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### Solicitors

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### Sponsor

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### Reporting Accountant

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### Auditors

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### Registrars

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### Bankers

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### Custodian

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London  
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### Stockbroker

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London  
W1J 0AH

## DEFINITIONS

<b>“Admission”</b>	the date on which the New Ordinary Shares allotted pursuant to the Scheme are listed on the Official List of the UKLA
<b>“AIM”</b>	the Alternative Investment Market of the London Stock Exchange
<b>“Articles”</b>	the articles of association of the company, as amended from time to time
<b>“Board” or “Directors”</b>	the board of directors of the Company
<b>“Business Days”</b>	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
<b>“CA 1985”</b>	Companies Act 1985, as amended
<b>“CA 2006”</b>	Companies Act 2006, as amended
<b>“Calculation Date”</b>	the date on which (i) the unaudited NAVs for the Share Consolidation, (ii) Roll-Over Value and (iii) the Merger Value will be calculated, this being after close of business on 8 March 2010
<b>“Capita Registrars”</b>	a trading name of Capita Registrars Limited
<b>“Class Meetings”</b>	the Ordinary Share Class Meeting, the S2 Share Class Meeting and the S3 Share Class Meeting
<b>“Companies Acts”</b>	CA 1985 and CA 2006
<b>“Company” or “VCT I”</b>	Unicorn AIM VCT plc
<b>“Deferred Shares”</b>	the deferred shares of 1p each to be created from the proposed redesignation of Ordinary Shares and S2 Shares pursuant to the Share Consolidation
<b>“Disclosure &amp; Transparency Rules”</b>	the disclosure and transparency rules of the FSA
<b>“Dividends”</b>	the interim capital dividends of the Company for the year ended 30 September 2009 of 3.5p per Ordinary Share and 2.5p per S2 Share
<b>“Dividend Payment Date”</b>	the payment date for the Dividends, this being 29 January 2010
<b>“Dividend Record Date”</b>	the record date for the Dividends, this being 8 January 2010
<b>“EEA States”</b>	the member states of the European Economic Area
<b>“Effective Date”</b>	the date on which the Scheme will be completed, this is anticipated as being 9 March 2010
<b>“Enlarged Company”</b>	the Company, following implementation of the Scheme
<b>“FSA”</b>	the Financial Services Authority
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended
<b>“Extraordinary General Meeting”</b>	the Extraordinary General Meeting of the Company to be held on 25 February 2010
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs
<b>“Howard Kennedy”</b>	Howard Kennedy, which is authorised and regulated by the Financial Services Authority, is a UKLA registered sponsor and is a member of the London Stock Exchange
<b>“IA 1986”</b>	Insolvency Act 1986, as amended
<b>“ICTA 1988”</b>	Income and Corporation Taxes Act 1988, as amended
<b>“IPEVC Guidelines”</b>	the International Private Equity and Venture Capital Valuation Guidelines
<b>“ITA 2007”</b>	Income Tax Act 2007, as amended

<b>“Liquidators”</b>	William Duncan and Jonathan Paul Philmore of RSM Tenon Limited Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA, being the proposed liquidators for VCT II
<b>“Listing Rules”</b>	the listing rules of the UKLA
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Meetings”</b>	the Extraordinary General Meeting and Class Meetings of the Company to be held on 25 February 2010
<b>“Merger”</b>	the Share Consolidation and the Scheme
<b>“Merger Ratio”</b>	the Roll-Over Value per VCT II Share divided by the Merger Value per New Ordinary Share
<b>“Merger Regulations”</b>	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
<b>“Merger Value”</b>	the value of a Share calculated in accordance with Part I of this document
<b>“NAV” or “net asset value”</b>	net asset value
<b>“New Ordinary Shares”</b>	the new Ordinary Shares arising from the Share Consolidation and/or to be issued by the Company to VCT II shareholders in accordance with the Scheme (and each a “New Share”)
<b>“Official List”</b>	the official list of the UKLA
<b>“Ordinary Shares”</b>	ordinary shares of 1p each in the capital of the Company (and each an “Ordinary Share”)
<b>“Proposals”</b>	the proposals to effect the merger by way of the Scheme and pass the resolutions to be proposed at the Extraordinary General Meeting
<b>“Proposed Directors”</b>	Malcolm Diamond and Jeremy Hamer
<b>“Prospectus”</b>	this document, being the prospectus issued by the Company dated 29 January 2010
<b>“Prospectus Rules”</b>	the prospectus rules of the UKLA
<b>“Qualifying Company”</b>	a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
<b>“quoted”</b>	quoted on the London stock Exchange’s market for listed securities, AIM or PLUS Markets
<b>“Record Date”</b>	the record date to which Shareholders’ entitlements will be allocated pursuant to the Share Consolidation and/or VCT II shareholders’ entitlements will be allocated pursuant to the Scheme (as the context permits), this being 8 March 2010
<b>“Revised Management Arrangements”</b>	the revised management arrangements proposed to be entered into between the Company and Unicorn AM, which constitute a related party transaction under the Listing Rules, as described on pages 27 and 28
<b>“Roll-Over Value”</b>	the value of a VCT II Share calculated in accordance with Part I of this document
<b>“S2 Shares”</b>	series 2 shares of 1p each in the capital of the Company (and each an “S2 Share”)
<b>“S3 Shares”</b>	series 3 shares of 1p each in the capital of the Company (and each an “S3 Share”)
<b>“Scheme”</b>	the proposed merger of the Company with VCT II by means of placing VCT II into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of VCT II’s assets and liabilities in consideration for New Ordinary Shares further details of which are set out in Part I of this document

<b>“Share Consolidation”</b>	the proposed consolidation of the Ordinary Shares, S2 Shares and S3 Shares as set out on page 16
<b>“Shareholder”</b>	a holder of Shares
<b>“Shares”</b>	prior to the Share Consolidation Ordinary Shares, S2 Shares and S3 Shares, and following the Share Consolidation, the New Ordinary Shares (as the context permits) (and each a “Share”)
<b>“Statutes”</b>	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 to the Company
<b>“TCGA 1992”</b>	Taxation of Chargeable Gains Act 1992, as amended
<b>“Transfer Agreement”</b>	the agreement between the Company and VCT II (acting through the Liquidators) for the transfer of all of the assets and liabilities of VCT II by the Liquidators to the Company pursuant to the Scheme
<b>“UK”</b>	the United Kingdom
<b>“UKLA” or “UK Listing Authority”</b>	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Market Act 2000
<b>“Unicorn AM” or the “Investment Manager”</b>	Unicorn Asset Managements Limited, the investment manager to Company and Acrobat VCT II, of Preacher’s Court, The Chaterhouse, Charterhouse Square, London EC1M 6AU
<b>“unquoted”</b>	private or public companies not quoted on any market or exchange
<b>“VCT” or “venture capital trust”</b>	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts
<b>“VCT Value”</b>	the value of an investment calculated in accordance with Section 279 of ITA 2007
<b>“VCT II”</b>	Unicorn AIM VCT II plc, registered in England and Wales under number 05239433, whose registered office as at One Vine Street, London W1J 0AH
<b>“VCT II Board”</b>	the board of directors of VCT II
<b>“VCT II C Shares”</b>	C ordinary shares of 1p each in the capital of VCT II (and each a “VCT II C Share”)
<b>“VCT II Circular”</b>	the circular to VCT II shareholders dated 29 January 2010
<b>“VCT II Class Meetings”</b>	the separate meetings of the holders of VCT II Ordinary Shares and VCT II C Shares to be held on 25 February 2010
<b>“VCT II First Extraordinary General Meeting”</b>	the first extraordinary general meeting of VCT II to be held on 25 February 2010
<b>“VCT II Meetings”</b>	the VCT II First Extraordinary General Meeting, the VCT II Class Meetings and the VCT II Second Extraordinary General Meeting
<b>“VCT II Ordinary Shares”</b>	ordinary shares of 1p each in the capital of VCT II (and each a “VCT II Ordinary Share”)
<b>“VCT II Second Extraordinary General Meeting”</b>	the second extraordinary general meeting of VCT II to be held on 9 March
<b>“VCT II Shares”</b>	VCT II Ordinary Shares and/or VCT II C Shares (and each a “VCT II Share”)
<b>“VCT II Special Dividend”</b>	the special dividends to be paid by VCT II of 6p per VCT II Ordinary Share and 0.45p per VCT II C Share, conditional on the Merger becoming effective

## **PART I – MERGER OF THE COMPANY AND VCT II**

### **Introduction**

Your Board and the VCT II Board consider that the interests of the companies' shareholders will be better served by an enlarged single company with a single share class, providing the potential for a more diverse investment portfolio, reduced annual costs and an increased level of funds available for investment. The most cost-effective way to achieve this is firstly to consolidate the share capital of the Company into one class of New Ordinary Shares and then secondly to complete a merger with VCT II by placing VCT II 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 Ordinary Shares to holders of VCT II Ordinary Shares and VCT II C Shares. The New Ordinary Shares are not being offered to the existing Shareholders of the Company or the public, save as may be the case in connection with the Scheme.

### **Background**

VCTs are required to be listed on the Official List, which involves a significant level of cost in listing as well as related fees to ensure the VCT complies with all relevant legislation. As a VCT becomes fully invested, its net assets may start to decrease, primarily through dividends, buy backs and annual expenses. The running costs can become a proportionally greater burden which may have an adverse effect on a VCT's return for its shareholders. A larger VCT should therefore be better placed to spread such running costs, and as a result may be able to pay a higher level of dividends to shareholders over its life.

In September 2004, the Merger Regulations were introduced to allow VCTs to be acquired by, or merge with, each other without prejudicing tax reliefs obtained by their shareholders. A number of VCTs have now taken advantage of these regulations to create larger VCTs where running costs can be spread over a substantially greater asset base.

In addition, continued management and administration of separate share classes within both the Company and VCT II has resulted in an additional expenses burden which, now the relevant funds in each company are largely invested, the boards of both companies feel is no longer necessary. A merger provides an opportunity to consolidate the share classes, creating simplicity and further annual cost savings.

With the above in mind, the Board entered into discussions with the VCT II Board to consider a merger of the companies to create a single, larger VCT with one class of share.

### **Merger with VCT II**

The Company and VCT II have the same investment manager, investment policies and common advisers. Following detailed consideration of the portfolio and financial position of VCT II, the Board has reached an agreement with the VCT II Board to merge the two companies (subject to the conditions set out below). The Board considers that this Merger will bring benefits to both groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the aggregate annual running costs of the separate companies and relevant separate share classes in both companies;
- creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration and management costs;
- creation of an Enlarged Company with a simplified capital structure;
- participation in a larger VCT with a more diversified portfolio thereby spreading risk across a broader range of investments;
- increased ability to maintain a buy-back programme due to the increased size and the reduced need to retain funds for annual expenses;
- the potential to pay dividends in the future due to the increased size and the reduced overall running costs;
- increased flexibility to continue to meet the various requirements for qualifying VCT status; and
- the potential of greater liquidity in the secondary market.

The Board believes that the Proposals provide an efficient way of effecting a Merger with a lower level of costs compared with other merger routes. Although either of the companies could have acquired all of the assets and liabilities of the other under such a Scheme, the Company was selected as the acquirer, because of its marginally greater size (and, therefore, a lower stamp duty cost on the transfer of all of the assets and liabilities from VCT II). Shareholders should note that the Merger will be outside the provisions of the City Code on Takeovers and Mergers.

**Share Consolidation**

The Share Consolidation will be effected as follows:

- such number of Ordinary Shares held by a Shareholder on the Record Date will be redesignated as S3 Shares as reflects the relevant proportionate number by reference to the NAVs of each Share class as at the Calculation Date, the balance being redesignated as Deferred Shares having no economic value;
- such number of S2 Shares held by a Shareholder on the Record Date will be redesignated as S3 Shares as reflects the relevant proportionate number by reference to the NAVs of each Share class as at the Calculation Date, the balance being redesignated as Deferred Shares having no economic value;
- the Deferred Shares will be bought back by the Company for an aggregate amount of 1p, such shares to be cancelled as issued and redesignated as New Ordinary Shares; and
- the S3 Share (existing and those created in the above redesignations) will be redesignated as New Ordinary Shares.

This Share Consolidation will result in the Company having one class of New Ordinary Shares immediately prior to the merger with VCT II. Shareholders who hold their Shares in certificated form will receive replacement share certificates in respect of the New Ordinary Shares arising from the Share Consolidation and existing share certificates will no longer be valid. Shareholders who hold their Shares in CREST will have their CREST accounts credited with their new holding of New Ordinary Shares.

**Scheme**

Immediately following the Share Consolidation, the Scheme will be completed (in each case subject to Shareholder approval), which provides for VCT II to be placed into members’ voluntary liquidation and for all of its assets and liabilities to be transferred to the Company in consideration for New Ordinary Shares being issued directly to the holders of VCT II Ordinary Shares and VCT II C Shares.

The New Ordinary Shares to be issued to VCT II shareholders will be split between the holders of VCT II Ordinary Shares and VCT II C Shares in proportion to their respective net assets of each class of VCT II Share as at the Calculation Date and then as pro-rata to shareholdings within each class of VCT II Share (disregarding for these purposes dissenting VCT II shareholders and the amounts required to purchase such VCT II Shares held). This will result in the VCT II Ordinary Shares and the VCT II C Shares being merged into the New Ordinary Shares class of the Company by reference to the Merger Ratio.

As at 31 December 2009, the unaudited NAVs of the Company (taken from the unaudited management accounts of the Company to 31 December 2009) were 57.06p per Ordinary Share, 72.54p per S2 Share and 93.37p per S3 Share. Had the Share Consolidation been completed at that date the conversion ratio into New Ordinary Shares would have been as follows:

	<b>Ordinary Shares</b>	<b>S2 Shares</b>	<b>S3 Shares</b>
NAV per share (A)	57.06p	72.54p	93.37p
NAV per S3 Share (B)	93.37p	93.37p	93.37p
Conversion ratio (A/B)	0.61	0.78	1

Following the transfer, the listing of the VCT II Shares will be cancelled and VCT II will be wound up.

A brief summary of the VCT II investment portfolio as at 31 December 2009 is as follows:

Investment Portfolio	Ordinary Share Fund		C Share Fund		VCT II
	Number of Investments	Value (£'000)	Number of Investments	Value (£'000)	Total Value (£'000)
Quoted	41	14,094	25	4,056	18,150
Unquoted	11	1,186	9	405	1,591
Other Investments	2	1,270	2	1,616	2,886

(As extracted from the unaudited management accounts of VCT II to 31 December 2009)

The Scheme is conditional upon:

- the passing of resolutions 1 and 2 to be proposed at the Extraordinary General Meeting;
- the passing of the resolutions to be proposed at the Class Meetings;
- notice of dissent not having been received from shareholders of VCT II holding more than 10 per cent. in nominal value of its issued share capital under Section 111 IA 1986 (this condition may be waived by the Board and VCT II Board, as necessary); and
- the passing of the resolutions to be proposed at the VCT II Meetings.

### Terms of the Scheme

Immediately prior to the Scheme becoming effective the Company will complete the Share Consolidation. The Merger with VCT II will then be completed as follows:

On the Effective Date, Matrix-Securities Limited (on the instruction of the Liquidators) will calculate the VCT II Roll-Over Value and the Merger Value of the Company as set out below.

On the Effective Date, the Liquidators will receive all the cash, undertakings and other assets and liabilities of VCT II and will deliver to the Company:

- particulars of all of the assets and liabilities of VCT II;
- a list certified by the registrars of VCT II of the names and addresses of, and the number of VCT II shares and class held by, each of the shareholders of VCT II on the register at 5.30 pm on the Record Date;
- an estimate of the winding-up costs of VCT II which will form part of the costs of the Merger; and
- the amount estimated to be required to purchase the holdings of any dissenting shareholders in VCT II.

On the Effective Date, the Company and the Liquidators (on behalf of VCT II) 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 VCT II to the Company in exchange for the issue of New Ordinary Shares (fully paid) to the shareholders of VCT II on the basis set out below.

As further consideration for such transfer of all of the assets and liabilities of VCT II 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 VCT II and the purchase for cash of any holdings of dissenting shareholders in VCT II.

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

### VCT II

The Roll-Over Value will be calculated as:

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

where:

- A = the unaudited net asset value of VCT II as at close of business on the Calculation Date, calculated in accordance with VCT II's normal accounting policies;
- B = any adjustment that both the Board and the VCT II Board (acting jointly) consider appropriate to reflect any other actual or contingent benefit or liability of VCT II (including the VCT II Special Dividends to be paid);
- C = VCT II's *pro rata* proportion (by reference to the Roll-Over Value and Merger Value, 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 VCT II incurred by the Company, which will indemnify the Liquidators in respect of all costs of VCT II following the transfer on the Effective Date);
- D = the amount estimated to be required to purchase the holdings of VCT II Shares from dissenting VCT II shareholders; and
- E = the number of VCT II Shares in issue following close of business on the Record Date (save for any VCT II Shares held by dissenting VCT II shareholders).

### **The Company**

The Merger Value will be calculated as follows:

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

where:

- F = the unaudited net asset value of the Company as at close of business on the Calculation Date, calculated in accordance with the Company's normal accounting policies;
- G = any adjustment that both the Board and the VCT II Board (acting jointly) consider appropriate to reflect any other actual or contingent benefit or liability of the Company;
- H = the Company's *pro rata* proportion (by reference to the relative Roll-Over Value and Merger Value, but ignoring merger costs) of the costs of the Merger; and
- I = the number of the New Ordinary Shares in issue immediately following the Share Consolidation.

### **New Ordinary Shares to be issued to VCT II shareholders**

The number of New Ordinary Shares to be issued to VCT II shareholders (save for any dissenting VCT II shareholders) will be calculated as follows:

Where:

$$\left( \frac{J}{K} \right) \times E$$

- J = the Roll-Over Value;
- K = the Merger Value; and
- E = the number of VCT II Shares in issue as at close of business on the Record Date (save for any VCT II Shares held by dissenting VCT II shareholders).

The number of New Ordinary Shares to be allocated to the holders of VCT II Ordinary Shares shall be calculated as follows:

$$\left(\frac{A}{J}\right) \times L$$

where:

A = the unaudited net asset value of the VCT II Ordinary Shares in aggregate as at close of business on the Calculation Date, calculated in accordance with VCT II's normal accounting policies, less the amount estimated to be required to repurchase the holdings of VCT II Ordinary Shares from dissenting VCT II shareholders;

J = the unaudited net asset value of VCT II as at close of business on the Calculation Date, calculated in accordance with VCT II's normal accounting policies, less the amount estimated to be required to repurchase the holdings of VCT II Shares from dissenting VCT II shareholders; and;

L = the aggregate number of New Ordinary Shares to be issued to VCT II shareholders.

The number of New Ordinary Shares to be allocated to the holders of VCT II C Shares shall be calculated as follows:

$$L - M$$

where:

L = the aggregate number of New Ordinary Shares to be issued to VCT II shareholders; and

M = the number of New Ordinary Shares to be issued to the holders of VCT II Ordinary Shares.

The New Ordinary Shares allocated for issue to the holders within each class of share in VCT II shall be issued directly to such holders on the instruction of the Liquidators pro-rata to their holdings within such class (disregarding VCT II Shares held by dissenting VCT II shareholders).

Entitlements will be rounded down to the nearest whole number and any fractional entitlements (which will not exceed £5) will be sold in the market and the proceeds retained for the benefit of the Enlarged Company.

Where a VCT II shareholder holds their VCT II Shares in certificated form, they will receive a new certificate for the New Ordinary Shares issued and existing certificates will no longer be valid. VCT II shareholders who hold their VCT II Shares in CREST will have their CREST accounts credited with their new holding of New Ordinary Shares. Dividend payment mandates provided for VCT II Shares will, unless holders of VCT II Shares advise otherwise, be transferred to the Company.

Application has been made to the UKLA for the New Ordinary Shares to be listed on the Official List and will be made to the London Stock Exchange for such New Ordinary Shares to be admitted to trading on its market for listed securities. The New Ordinary Shares will rank *pari passu* with the existing issued New Ordinary Shares from the date of issue.

### **Effect of the Scheme**

The opening unaudited NAV of the New Ordinary Shares in aggregate would have been £32,325,134 as at 31 December 2009. The Merger Value per New Ordinary Share (this being the unaudited NAV of the Company, after adjustments in relation to the Scheme and anticipated Merger costs, divided by the number of New Ordinary Shares in issue following the Share Consolidation) would have been 88.75p had the Scheme been implemented on that date.

As at 31 December 2009, the unaudited NAV of the VCT II Shares in aggregate (taken from the unaudited management accounts of VCT II to 31 December 2009) was £25,888,482. The Roll-Over Value (this being the unaudited NAV of VCT II as at 31 December 2009, after adjustments in relation to the Scheme and anticipated Merger costs, divided by the number of VCT II Shares in issue) would have been 71.80p (assuming no dissenting VCT II shareholders) had the Scheme been implemented on that date.

The number of New Ordinary Shares to be issued to the VCT II shareholders would then have been calculated by multiplying the number of VCT II Shares in issue by the Merger Ratio, this being the VCT II

Roll-Over Value divided by the Company's Merger Value. The New Ordinary Shares would then have been split between the holders of VCT II Ordinary Shares and VCT II C Shares by reference to their unaudited NAVs as at 31 December 2009 (assuming no dissenting VCT II shareholders) and issued to each class of VCT II shareholders pro-rata to shareholdings on that date. This would effectively have given 0.84 New Ordinary Shares for every VCT II Ordinary Share held and 0.76 New Ordinary Share for every VCT II C Share (assuming no dissenting VCT II shareholders) had the Merger been completed on 31 December 2009.

Further information is set out in Part V of this document on the expected financial position of the Enlarged Company had the Merger (including, for the avoidance of doubt, the Share Consolidation) been implemented as at 30 September 2009.

### **Taxation**

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares 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.

### ***The Company and Shareholders***

The Share Consolidation, and the associated redesignations into first S3 Shares and then New Ordinary Shares and the purchase of Deferred Shares, will not constitute disposals of the existing Shares held in the Company for the purposes of UK taxation. Instead, the resulting New Ordinary Shares will be treated as having been acquired at the same cost and on the same date as the full original holding from which they arise (but allocated pro-rata between such New Ordinary Shares). Any capital gains tax deferral obtained on subscription will not, therefore, be triggered.

No UK stamp duty will be payable as a result of the Share Consolidation.

Clearances to the above effect have been obtained from HMRC under section 701 ITA 2007 and Section 138 TCGA 1992 as well as pursuant to VCT provisions.

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.

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.

### ***VCT II Shareholders***

The effective exchange of existing VCT II Shares for New Ordinary Shares will not constitute a disposal of the existing VCT II Shares for the purposes of UK taxation. Instead, the new holding of New Ordinary Shares will be treated as having been acquired at the same time and at the same cost as the existing VCT II Shares from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing VCT II Shares will not, therefore, be crystallised but will be transferred to the New Ordinary Shares and VCT II shareholders will receive a new share certificate in respect of the New Ordinary Shares issued pursuant to the Scheme.

For VCT II shareholders holding (together with their associates) in aggregate more than 5 per cent. in VCT II 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 VCT II Shares in issue will also apply to them.

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

### ***Dissenting VCT II Shareholders***

Dissenting VCT II shareholders' holdings will be purchased for cash at the 'break value' price of the relevant class of share, this being an estimate of the amount a holder of such shares would receive in an ordinary winding-up of VCT II if all the assets of VCT II had to be realised. The break value of both an

VCT II Ordinary Share and an VCT II C Share is expected to be significantly below unaudited net asset values of such shares.

Dissenting VCT II shareholders whose VCT II Shares are purchased shall be treated as having disposed of their existing VCT II Shares. VCT II will still be able to claim the benefit of VCT status whilst in liquidation under the Merger Regulations and the dissenting VCT II shareholders will not be subject to any UK taxation in respect of any capital gains arising on disposal under the Scheme. However, the purchase will constitute a disposal of the existing holding in VCT II Shares and a dissenting VCT II shareholder will be liable to pay any up front income tax relief on VCT II shares not held for the requisite holding period plus any capital gains tax deferred by such dissenting VCT II shareholder on the original subscription.

### ***The Company***

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 of existing Shares.

### ***Clearances***

Clearance has been obtained from HMRC in respect of the Share Consolidation and Merger under Section 701 ITA 2007 and Section 138 TCGA 1992. With regard to the former, the receipt of New Ordinary Shares will 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 Unicorn VCT shareholders of New Ordinary Shares will not prejudice tax reliefs obtained by VCT II shareholders on existing VCT II Shares.

### ***Stamp Duty and Stamp Duty Reserve Tax***

No UK stamp duty or stamp duty reserve tax will be payable by VCT II shareholders as a result of the implementation of the Scheme.

## PART II – INFORMATION ON THE COMPANY

### Constitution and Status

The Company was incorporated and registered in England and Wales on 7 August 2001 with limited liability as a public limited company under CA 1985 with the name Unicorn AIM VCT plc and with registered number 04266437.

The Company was issued with a trading certificate under section 117 of CA 1985 (now section 761 of CA 2006) on 27 September 2001.

The Company operates under the Companies Acts 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 for the period ended 30 September 2009.

The business of the Company has been, and it is intended will be, carried on so as to continue to comply with that section to maintain full approval.

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

### Selected Financial Information

Certain selected financial information is set out below:

	Year ended 30 September		
	2007	2008	2009
Investment Income and deposit interest	£746,000	£729,000	£580,000
Revenue return/(loss) on ordinary activities before taxation	£(33,000)	£221,000	£(22,000)
Earnings per share:			
Ordinary Share	2.85p	(27.67)p	(3.11)p
S2 Share	3.32p	(33.65)p	0.83p
S3 Share	(3.02)p	(14.66)p	10.57p
Dividends paid per share:			
Ordinary Share	12.55p	0p	3p
S2 Share	10p	5p	2p
S3 Share	0p	0p	1p
Net assets	£48,670,000	£34,123,000	£32,138,000
NAV per share:			
Ordinary Share	89.55p	61.83p	56.26p
S2 Share	113.84p	75.32p	74.63p
S3 Share	92.28p	77.62p	87.18p

The Board declared interim capital dividends for the year ended 30 September 2009 of 3.5p per Ordinary Share and 2.5p per S2 Share, to be paid on the Dividend Payment Date to those holders of such Shares on the Company's register on the Dividend Record Date (i.e. prior to the Merger being effected).

As at 31 December 2009, the unaudited net assets of the Company (taken from the unaudited management accounts of the Company to 31 December 2009) was £32,325,134 (57.06p per Ordinary Share, 72.54p per S2 Share and 93.37p per S3 Share).

### Board of Directors

The current Board comprises four non-executive directors: Peter Dicks (Chairman), Jocelin Harris, David Royds and James Grossman. Subject to the Merger becoming effective, David Royds has agreed to resign as a director of the Enlarged Company and Malcolm Diamond and Jeremy Hamer (directors of VCT II) will be appointed as directors of the Company. If the Merger is effected, although the number of Board directors will increase to ensure continuity in Board representation from both companies, the total of the directors' fees across both the Company and VCT II will reduce by £50,000 per annum. The Board will review the constitution and performance of the Board members following the passing of a year from the Merger.

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 and NAVs (calculated by Unicorn AM and Matrix-Securities Limited), and, together, its members have significant relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investee companies.

***The Directors are:***

**Peter Dicks**

Peter Dicks was a founder director, in 1973, of Abingworth plc, a successful venture capital company. He is currently a director of a number of quoted and unquoted companies including Polar Capital Technology Trust plc, Graphite Enterprise Trust plc, Daniel Stewart Securities plc, Gartmore Fledging Trust plc, Private Equity Investor plc, Sportingbet plc and Standard Microsystems Inc, a US-NASDAQ quoted company. In addition, he has been Chairman of Foresight VCT plc since its launch in October 1997 and was also appointed subsequently to the Boards of Foresight 2 VCT plc, Foresight 3 VCT plc and Foresight 4 VCT plc.

**Jocelin Harris**

Jocelin Harris is a qualified solicitor and is Chief Executive of Durrington Corporation Limited, which provides management and financial support services to small and developing businesses, where he has worked since 1986. Before this he was a director of a private bank in the City. He is currently non-executive chairman or director of a number of private companies in the United Kingdom and the United States.

**David Royds**

David Royds is Chairman of Matrix Group Limited. He is also a director of a number of other companies involved in property development, direct marketing, database services and hydrography.

**James H Grossman**

James Grossman is an international business lawyer and arbitrator with over 35 years' experience in mergers and acquisitions and venture capital transactions and serves on the boards of several public companies in the UK and overseas. He is also a member of the arbitration panels of the International Centre for Dispute Resolution, the International Chamber of Commerce and the domain name dispute panel of the World Intellectual Property Organisation. He is non-executive chairman of Canoel International Energy Limited, an oil exploration company based in Canada, whose shares are traded on TSX Venture Exchange (Toronto) and a director of Thalassa Energy Limited, an oil related technology company, whose shares are traded on AIM.

***Proposed Directors are:***

**Malcolm Diamond MBE**

Malcolm Diamond established the Bluesky Partnership whose mission is to grow stakeholder value principally for private, VCT and institutional shareholders. This is achieved by direct involvement through non-executive or part time executive directorships or, where appropriate, through interim management. He is currently senior non-executive director of Centurion Electronics plc and Dechra Pharmaceuticals plc, chairman of Cathedral Works Organisation Chichester Limited and co-founder and partner in Soundscape Environmental Structures LLP. Between 1984 and 2002, he was managing director of Trifast plc which he led to a full listing in 1994. Although he retired from Trifast plc in 2002, he returned in March 2009 to become executive chairman.

**Jeremy Hamer**

Jeremy Hamer is a chartered accountant who spent 16 years in industry before spending five years as a VCT investment manager. Currently, he has a portfolio of executive and non-executive director roles particularly with AIM listed companies, as well as being a qualified executive coach.

**Corporate Governance**

The Board adopts the Association of Investment Companies Code of Corporate Governance ("AIC Code"), as revised in March 2009. The AIC Code addresses all principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of

specific relevance to the Company. The Financial Reporting Council (FRC) has confirmed that in complying with the AIC Code the Company will meet its obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules.

The Board believes that reporting against the principles of the AIC Code will provide more relevant information to shareholders.

As at the date of this document, the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code except where noted below. There are certain areas of the Combined Code that the AIC does not consider relevant to investment companies and with which the Company does not specifically comply, for which the AIC Code provides dispensation. These areas are as follows:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

As an externally managed investment company, the Company does not employ a chief-executive nor any executive directors. The systems and procedures of Unicorn AM and Matrix-Securities Limited, the provision of VCT monitoring services by PricewaterhouseCoopers LLP, as well as the size of the Company's operations, gives the Board confidence that an internal audit function is not appropriate.

On 16 November 2009, and in accordance with the provisions of the Combined Code, the Company formally appointed Jocelin Harris as senior independent director, a role which he previously fulfilled as the chairman of the Audit Committee. Jocelin Harris will, however, be stepping down as chair of the Audit Committee, subject to the Merger becoming effective, and will be replaced by Jeremy Hamer. Shareholders may contact Jocelin Harris if they have concerns which contact through the Chairman or Unicorn AM has failed to resolve or for which such contact is inappropriate. The Board believes that this structure is the most appropriate for the Company given its current size and the nature of its business.

At least four formal Board meetings are scheduled every year and other meetings are held as necessary. Matters specifically reserved for decision by the Board have been defined. These include compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; Board and committee appointments and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. The Board as a whole now considers management engagement, nomination and remuneration matters rather than delegating these to committees, as all the Directors are considered independent of Unicorn AM. Management engagement matters include an annual review of the Company's service providers, with a particular emphasis on reviewing Unicorn AM in terms of investment performance, quality of information provided to the Board and remuneration. The Board as a whole considers Board and committee appointments and the remuneration of individual directors.

The primary focus at each quarterly Board meeting is overall strategy and a review of investment performance, including but not limited to, asset allocation, investor relations, peer group information and issues affecting the investment industry as a whole. The Board, with Unicorn AM and the Company's broker, monitors the level of the share price discount and, if necessary, takes action to reduce it. A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Where Directors have concerns which cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board. The Board has satisfied itself that the Audit Committee has sufficient resources to undertake its duties.

All Directors are subject to election by Shareholders at the first Annual General Meeting following their appointment. Each Director retires by rotation at an Annual General Meeting if they have held office as a director at the two immediately preceding annual general meetings and did not retire at either of those meetings in accordance with the Articles.

In terms of overall length of tenure, the AIC Code does not explicitly make recommendations. Some market practitioners feel that considerable length of service (which has generally been defined as a limit of 9 years) may lead to the compromise of a director's independence. Whilst the Company has not been in existence long enough for the Board to consider that this is an issue (having commenced trading in 2001), the overall matter of directors' independence is taken extremely seriously, as discussed below. If the matter becomes relevant in future years, the Board will consider length of tenure of directors at the appropriate time.

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement and has concluded that all of the Directors are independent of Unicorn AM. Peter Dicks is a non-executive director and shareholder in Mears Group plc, one of the Company's investee companies. Peter Dicks is also a shareholder in two other investee companies, Keycom plc and Supporta plc. Jocelin Harris is a shareholder in Keycom plc, holding less than 1% of the issued share capital and holds shares in Mears Group plc through a pension fund. James Grossman has very small shareholdings in Mears Group plc and Abcam plc via a trust fund, holding less than 0.01% of the issued share capital of each company. The Directors independent of each conflict considered the circumstances and agreed that Peter Dicks, Jocelin Harris and James Grossman remain independent of Unicorn AM as these relationships are not of a material size to their assets and other business activities. David Royds is chairman of Matrix-Securities Limited, which also provides secretarial and accountancy services to the Company and has an interest in Matrix Corporate Capital LLP, the Company's broker. The Board considers that David Royds remains independent as this relationship is not of material size to the business of Matrix-Securities Limited or Matrix Corporate Capital LLP.

The above conflicts, along with other potential conflicts, have been reviewed by the Board in accordance with the procedures under the Articles and applicable rules and regulations (including each Director's duty to promote the success of the Company). The articles allow the Directors not to disclose information relating to the conflict where to do so would amount to a breach of confidence. The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments. The Directors inform the Board of changes to their other appointments as necessary. The Board reviews the authorisations relating to conflicts annually. Authorisation will be reviewed should there be a material change in an authorised conflict. Future conflicts of interest will be considered by the Board under the above procedures and will be reported upon accordingly.

The Board aims to include a balance of skills, experience, ages and length of service that the Directors believe to be appropriate to the management of the Company. The Board offers an induction procedure to all new directors and all directors may choose relevant training as and when required. The Chairman fully meets the independence criteria as set out in the AIC Code. The Board does not believe that a formal system of performance evaluation of the Board and the Chairman is appropriate to the Company when it is comprised solely of non-executive directors. An informal review is made as part of the internal control process and, as recommended by the AIC Code, the independent directors monitor the continuing independence of the Chairman and inform him of their discussions.

### **Board Committees**

As noted above the Board as a whole considers matters relating to management engagement, nomination and remuneration.

The Audit Committee comprises all four Directors, Jocelin Harris (Chairman), Peter Dicks, James Grossman and David Royds. Subject to the Merger becoming effective, Jocelin Harris will step down as chairman of the Audit Committee (he was, however, appointed as senior independent director on 16 November 2009) and will be replaced by Jeremy Hamer. The Board is satisfied that Jocelin Harris and Jeremy Hamer (as applicable) has recent and relevant financial experience. The Committee meets at least twice a year to review the internal financial and non-financial controls, accounting policies and contents of the half-yearly and annual reports to Shareholders. It has primary responsibility for making recommendations on the appointment and removal of the external auditors. The Committee reviews the independence of the auditors and the effectiveness of the audit process annually. Should the Committee be dissatisfied with the standard of service received from the incumbent auditor, a tender process would be undertaken. The Company's external auditors are invited to attend meetings as appropriate.

### **Investment Manager**

The Company's investment manager is Unicorn AM, the same investment manager as that of VCT II. Unicorn Asset Management Limited (telephone 0207 253 0889), was incorporated and registered in England and Wales on 4 February 2000 as a limited liability company with registered number 03919499. Unicorn AM's registered office and principal place of business is at First Floor Office, Preacher's Court, The Charterhouse, Charterhouse Square, London EC1M 6AU. Unicorn AM is authorised and regulated by the FSA to provide investment management services. The principal legislation under which Unicorn AM operates is the provisions of the Companies Acts (and regulations made thereunder).

Unicorn AM will continue to provide investment management services to the Enlarged Company and has substantial experience in identifying, investing in, monitoring and subsequently exiting from companies of the size and type qualifying for VCT investment.

### **Investment Objective**

The objective of the Company is to provide Shareholders with an attractive return from a diversified portfolio of investments, predominantly in the shares of AIM quoted companies, by maximising the stream of dividend distributions to Shareholders from the income and capital gains generated by the portfolio.

It is also the objective that the Company should continue to qualify as a VCT, so that Shareholders benefit from the taxation advantages that this brings. To achieve this at least 70% of the Company's total assets are to be invested in qualifying investments of which 30% by value must be in ordinary shares carrying no preferential rights to dividends or return of capital and no rights to redemption.

### **Investment Policy**

In order to achieve the Company's investment objective, the Board has agreed an investment policy which requires the Investment Manager to identify and invest in a diversified portfolio, predominantly of VCT qualifying companies quoted on AIM, that displays a majority of the following characteristics:

- experienced and well-motivated management;
- products and services supplying growing markets;
- sound operational and financial controls; and
- good cash generation to finance development allied with a progressive dividend policy.

Specific conditions for HMRC approval of VCTs include the requirement that no single holding may represent more than 15 per cent. (by value) of the Company's investments, at the date of that investment.

The Investment Manager is responsible for managing sector and stock specific risk and the Board does not impose formal limits in respect of such exposures. However, in order to maintain compliance with HMRC rules and to ensure that an appropriate spread of investment risk is achieved, the Board receives and reviews comprehensive reports from the Investment Manager and Matrix-Securities Limited on a regular basis. When the Investment Manager proposes to make an investment in an unquoted company, the prior approval of the Board is required.

Where capital is available for investment while awaiting suitable VCT qualifying opportunities, or in excess of the 70 per cent. VCT qualification threshold, it may be invested in collective investment funds or in non-qualifying shares and securities in smaller listed UK companies.

It is also the Company's policy that no trading in derivative financial instruments is undertaken.

To date the Company has operated without recourse to borrowing. The Board may, however, consider the possibility of introducing modest levels of gearing up to a maximum of 20 per cent. of net assets, should circumstances suggest that such action is in the interests of shareholders.

The investment policy of the Enlarged Company will be the same as it is for the Company. Any material change to the investment policy will be subject to Shareholder consent in accordance with the Listing Rules.

### **Custody Arrangements**

Bank of New York Mellon (being incorporated and registered in the United States, but whose UK establishment has its registered office at One Canada Square, London E14 5AL with registered number

BR000818, its telephone number being 020 7570 1784 and being authorised and regulated by the FSA) acts as custodian of the Company's quoted assets and, in that capacity, is responsible for ensuring safe custody and dealing and settlement arrangements. Matrix-Securities Limited is responsible for administering the certificates of investment in unquoted companies through the Company's safe custody account with Natwest.

### **Dividend Policy**

The Board originally had a policy of maximising the stream of dividend distributions to Shareholders, subject to maintaining the NAV of the shares at approximately 100p per share. However, large reductions in the value of AIM quoted shares over the last two years has made it impractical to maintain NAVs at such a level and this aspect of the policy has therefore been discontinued.

For the year ended 30 September 2009, the Board declared interim capital dividends of 3.5p per Ordinary Share and 2.5p per S2 Share, to be paid on the Dividend Payment Date to those holders of such Shares on the Company's register on the Dividend Record Date. The Board declared the Dividends as interim dividends to allow for their early payment in light of the delayed date of the Annual General Meeting this year. VCT II has also declared the VCT II Special Dividend of 6p per VCT II Ordinary Share and 0.45p per VCT II C Share, conditional on the Merger becoming effective. The effect of this will be to distribute cash available within VCT II to the holders of VCT II Shares who are on the register prior to the Merger becoming effective. The VCT II dividends (as these will be unpaid) will be taken into account as an adjustment in the calculation of the VCT II Roll-Over Value.

Following the Merger, the Board intends to continue the policy of maximising dividend distributions to Shareholders from the income and capital gains generated by the portfolio. It will, however, also be mindful of the need to retain sufficient funds to keep costs to an acceptable percentage of net assets.

### **Investment Portfolios**

As at 31 December 2009 (the most recent practicable date prior to the publication of this document), the investment portfolio of the Company, in aggregate, comprised investments in 59 companies with an unaudited value of £30,017,097, details of which can be found in the unaudited information contained in Part VI of this document.

As at 31 December 2009 (the most recent practicable date prior to the publication of this document), the investment portfolio of VCT II, in aggregate, comprised investments in 51 companies with an unaudited value of £22,626,115, details of which can be found in the unaudited information contained in Part VI of this document.

### **Fees and Expenses**

Unicorn AM will continue as the investment manager of the Company on its existing annual management fee arrangements of an amount equivalent to 2 per cent. of the net assets of the Company per annum (this being the same level of annual management fee paid in respect of VCT II), save for investments made by the Company in other Unicorn AM managed funds when their fee is waived. Subject to Shareholder approval, the Board proposes, however, in light of the Merger and in recognition of Unicorn AM's support of the Merger by contributing £100,000 to the costs, to provide for a new initial three year appointment term from the Effective Date of the Merger, subject to a 12 months' notice period which may be given by either party after the second year.

Unicorn AM is currently entitled to performance incentive fees in relation to the performance of the various separate share classes within both the Company and VCT II. Amalgamation of these varying performance incentive arrangements to the single class of Share in the Enlarged Company would be complicated and cause an additional administrative burden. In addition, Matrix-Securities Limited, which is also entitled to performance incentive fees in respect of the Ordinary Shares fund and the S2 Shares fund, has agreed to waive its rights to such fees. The Board, therefore, proposes to terminate the existing arrangements and enter into a revised performance incentive with the Enlarged Company, which will apply for accounting periods after 30 September 2010 (Unicorn AM having agreed to forego any incentive fee for the current year).

The proposed revised performance incentive will be based on the arrangements currently in place for the S3 Shares fund and VCT II. The revised arrangements will entitle Unicorn AM to 20 per cent. of subsequent cash distributions made to shareholders in the Enlarged Company (whether by dividend or otherwise) over and above the Target Return in any accounting period. The Target Return for these

purposes will be 6p per New Ordinary Share (or, if the relevant accounting period is less than or greater than 12 months, an amount equal to a pro rata reduction or increase to 6p per New Ordinary Share for that accounting period). Such payment will continue to be subject to a NAV maintenance 'high-watermark test' but, in light of the Merger and the contribution Unicorn AM has agreed to make to the costs of the Merger, this will be rebased to the closing average NAV per New Ordinary Share in the relevant period equal to the NAV of a New Ordinary Share as at 30 September 2010 (i.e. the date from which the revised performance incentive fee will apply).

Matrix-Securities Limited provides company secretarial and accounting services to the Company and for the year ended 30 September 2009 the aggregate fee for these services was £195,000 (inclusive of VAT). Matrix-Securities Limited has agreed that, subject to the Merger becoming effective, their appointment will be extended to a new initial three year appointment term from the Effective Date of the Merger, subject to a 12 months' notice period which may be given by either party after the second year. The annual fee for providing both secretarial and accountancy services will be amended to £144,500 (plus VAT) to the third anniversary of the date on which the Merger becomes effective and thereafter £137,500 plus VAT (the latter to be increased on the fourth anniversary of the Merger becoming effective and every anniversary of the Merger becoming effective thereafter, by the annual percentage increase in the Retail Price Index for the preceding 12 months). The new fee of £144,500 (plus VAT) represents a reduction of £25,212.50 (including VAT) for the Company alone and a reduction of £144,695 (including VAT) of fees across both companies.

The Company currently has an annual running costs cap of 3.6 per cent. This cap will continue following the Merger becoming effective.

### **Cost Savings**

Annual running costs for the Company and VCT II are approximately £981,000 and £792,000 respectively. This represents 3.03 per cent. of the Company's unaudited net asset value and 3.06 per cent. of VCT II's unaudited net asset value, in each case as at 31 December 2009. The Board and the VCT II Board consider that this level of continued administrative annual running can be materially reduced through the Merger resulting in benefits to both groups of shareholders.

The aggregate anticipated cost of undertaking the Merger is approximately £410,000, including VAT, legal and professional fees, stamp duty and the costs of winding up VCT II. Unicorn AM has agreed to support the Merger by making a contribution of £100,000 to the costs, which reduces the anticipated costs of the Merger to £310,000. The costs of the Merger will be split proportionally between the Company and VCT II by reference to their respective Merger Value and Roll-Over Value (ignoring Merger costs and the Unicorn AM contribution). Following the Merger becoming effective, the Unicorn AM contribution will be paid directly to the Enlarged Company in two instalments (the first once the merger becomes effective and the second twelve months thereafter) thus benefiting all shareholders.

Following completion of the Merger, annual cost savings for the Enlarged Company of at least £284,000 per annum (representing 0.51 per cent. per annum of the expected net assets of the Enlarged Company or 0.46p per New Ordinary Share of the Enlarged Company) are anticipated to be achieved. On the basis that no new funds are raised or investments realised to meet annual costs, and taking into account the Unicorn AM contribution, the Board believes that the costs of the Merger would be recovered within 14 months.

### **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 Unicorn AM, reviews prospective investments to ensure that they are qualifying investments.

The VCT tax implications of the Merger have been advised upon by Martineau.

### **Duration of the Company**

The Articles provide for a resolution to be proposed for the continuation of the Company as a VCT at the annual general meeting falling after the fifth anniversary of the issue of Shares. from time to time, and thereafter at five-yearly intervals.

## **Investor Communications**

The Board places a great deal of importance on communications with its Shareholders and supports open communication with Shareholders. In addition to the announcement and publication of the annual report and accounts and the half-yearly results for the Company as detailed below, the Company also publishes half-yearly management statements as required by the Disclosure and Transparency Rules.

## **Reporting Dates**

Year end	30 September
Announcement and publication of annual report and accounts to Shareholders	December
Announcement and publication of half-yearly results	May

## **Share Buy-Backs**

The Board believes that it is in the best interests of the Company and its shareholders to make occasional market purchases of its Shares, given the limited secondary market for VCT shares generally, and to seek both to enhance NAV and to reduce to a degree any prevailing discount to NAV in the current market price than might otherwise prevail. The Board agrees the discount to NAV at which Shares will be bought back and regularly reviews this policy.

The Board intends to continue with the above buy-back policy following the Merger and subject to the approval of Shareholders. Any such future repurchases will be made in accordance with guidelines established by the Board from time to time and will be subject to the Company having the appropriate authorities from Shareholders and sufficient funds available for this purpose.

Share buy-backs will also be subject to the Listing Rules and any applicable law at the relevant time. Shares bought back in the market will ordinarily be cancelled.

## **Valuation Policy**

All unquoted investment valuations are subject to approval by the Directors on the recommendation of Unicorn AM in accordance with IPEVC Guidelines under which investments are valued at fair value, as defined in those guidelines. Any AIM or other quoted investment will be valued at the closing bid price of its shares, in accordance with generally accepted accounting practice. The net asset value of the Company's Shares will be calculated monthly and published on an appropriate regulatory information service.

## **CREST**

If Shares are currently held in uncertificated form (that is in CREST) New Ordinary Shares will also be credited to Shareholders' CREST accounts. If, following the Share Consolidation or issue pursuant to the Scheme, holders of certificated New Ordinary Shares wish to hold their New Ordinary Shares in uncertificated form they should contact their broker or independent financial adviser.

## PART III – THE INVESTMENT MANAGER

### Background on Unicorn AM

Unicorn Asset Management Limited is an independently owned and managed investment management company formed in July 2000. Unicorn AM manages a range of open and closed ended investment funds, including AIM Venture Capital Trusts, designed to satisfy a variety of investor requirements.

As at 31 December 2009, Unicorn AM funds under management are allocated across three fund classes:

- Open Ended Investment Companies (£20.9 million);
- Offshore Income Fund (£11.7 million); and
- AIM VCTs (£58.2 million).

VCTs remain an integral part of Unicorn AM's business with a significant number of quoted VCT qualifying investments managed across both the Company and VCT II, on behalf of approximately 4,000 shareholders across both companies.

### Investment Management

Unicorn AM specialises in managing portfolios of UK smaller quoted companies. The Unicorn AM team has a long established and successful track record in this area of the market and follows a traditional and conservative approach to fund management. The aim is to deliver superior long term performance across a range of diversified portfolios by adhering to a disciplined investment process. Risk management is primarily achieved by focusing investment resource on those businesses which are led by experienced management teams, which have an established history of profitability and cash generation and which are capable of delivering sustainable growth.

### Senior Management Team

#### ***Chris Hutchinson, Investment Manager***

Chris has been managing UK smaller companies funds for over 12 years. Since joining Unicorn AM in 2005, Chris has been primarily responsible for managing the Company's and VCT II's AIM funds. Prior to joining Unicorn AM, Chris was a fund manager at Montanaro Investment Managers Limited where he specialised in investing in UK smaller quoted companies.

#### ***John McClure, Investment Manager***

John has specialised in investing in UK smaller companies for over 20 years. Before joining Unicorn AM in July 2000 John was responsible for running smaller company portfolios at both Granville and Guinness Flight Global Asset Management Limited. Prior to this he managed funds at United Friendly Assurance and Hermes Asset Management.

#### ***Philip John, Financial Director***

Philip graduated in 1982 from UCL with a degree in economics and qualified as a Chartered Accountant with Touche Ross. He then worked at Granville from 1987 until joining Unicorn AM in 2000.

## PART IV – FINANCIAL INFORMATION ON THE COMPANY AND VCT II

Audited financial information on the Company is published in the annual reports for the years ended 30 September 2007, 2008 and 2009. Audited financial information on VCT II is published in the annual reports for the years ended 31 December 2006, 2007 and 2008 and unaudited information in the half-yearly report for the six month period ended 30 June 2009.

The annual reports for the Company for the years ended 30 September 2007, 2008 and 2009 were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP and were reported on without qualification and contained no statements under section 237(2) or (3) of the CA 1985 or section 495 to section 497A of the CA 2006 (as applicable).

The annual reports for VCT II for the years ended 31 December 2006, 2007 and 2008 were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP and were reported on without qualification and contained no statements under section 237(2) or (3) of the CA 1985.

The annual reports referred to above were prepared in accordance with UK generally accepted accounting practice (GAAP), the fair value rules of the Companies Acts and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The annual reports contain a description of the relevant company's financial condition, changes in financial condition and results of operation for each relevant financial year and, together with the half-yearly report for VCT II for the six month period ended 30 June 2009, are being incorporated by reference and can be accessed at the following website:

[www.unicornam.com](http://www.unicornam.com)

and are available for inspection at the FSA's document viewing facility, which is situated at:

Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document.

The annual report includes the following information:

### ***The Company***

<b>Description</b>	<b>2007 Annual Report</b>	<b>2008 Annual Report</b>	<b>2009 Annual Report</b>
Balance Sheet	Page 34	Page 36	Page 36
Income Statement (or equivalent)	Page 33	Page 35	Page 35
Statement showing all changes in equity (or equivalent note)	Page 35	Page 37	Page 37
Cash Flow Statement	Page 35	Page 37	Page 37
Accounting Policies and Notes	Pages 36 – 46	Pages 38 – 52	Pages 39 – 53
Auditors' Report	Page 32	Page 34	Page 34

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

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

<b>Description</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>Annual Report</b>	<b>Annual Report</b>	<b>Annual Report</b>
Objective	Page 1	inside front cover	inside front cover
Performance Summary	Pages 3 – 4	Pages 2 – 3	Pages 2 – 3
Results and Dividend	Page 19	Page 21	Pages 21 – 22
Investment Policy	Page 2	Page 1	Page 1
10 Year Outlook	Page 9	Page 9	Page 9
Manager's Review	Pages 6 – 9	Pages 6 – 9	Pages 6 – 9
Portfolio Summary	Pages 10 – 17	Pages 10 – 19	Pages 10 – 19
Business Review	Page 19	Page 21	Page 21
Valuation Policy	Page 36	Page 38	Page 38

As at 30 September 2009, the date to which the most recent audited financial information on the Company has been drawn up, the Company had net assets of £32,138,000.

#### **VCT II**

<b>Description</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>Annual Report</b>	<b>Annual Report</b>	<b>Annual Report</b>	<b>Half-Yearly Report</b>
Balance Sheet	Page 25	Page 33	Page 33	Page 12
Income Statement (or equivalent)	Page 24	Page 32	Page 32	Pages 10 – 14
Statement showing all changes in equity (or equivalent note)	Page 25	Page 33	Page 33	Page 13
Cash Flow Statement	Page 26	Page 34	Page 34	Page 14
Accounting Policies and Notes	Pages 27 – 28	Pages 35 – 47	Pages 35 – 48	Page 15
Auditors' Report	Page 23	Page 31	Page 31	n/a

This information in the annual reports has been prepared in a form consistent with that which will be adopted in VCT II'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:

<b>Description</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>Annual Report</b>	<b>Annual Report</b>	<b>Annual Report</b>	<b>Half-Yearly Report</b>
Objective	inside front cover	Page 1	Page 1	inside front cover
Performance Summary	Pages 2 – 3	Pages 4 – 5	Pages 5 – 6	n/a
Results and Dividend	Page 11	Page 19	Page 19	Page 1
Investment Policy	Page 4	Page 2	Page 2	inside front cover
Outlook	Page 1	Page 3	Page 4	Page 2
Manager's Review	Pages 4 – 5	Pages 6 – 9	Pages 7 – 9	n/a
Portfolio Summary	Pages 6 – 9	Pages 10 – 17	Pages 10 – 17	Pages 3 – 7
Business Review	Page 11	Page 19	Page 19	n/a
Valuation Policy	Page 27	Page 35	Page 35	Page 15

As at 30 June 2009, the date to which the most recent unaudited six month interim financial information on VCT II has been drawn up, VCT II had unaudited net assets of £24,252,000

## PART V – PRO FORMA FINANCIAL INFORMATION

### ACCOUNTANT’S REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The Directors  
Unicorn AIM VCT plc  
One Vine Street  
London  
W1J 0AH

29 January 2010

Dear Sirs

#### **Unicorn AIM VCT plc (“the Company”)**

We report on the pro forma financial information (“the pro forma financial information”) set out in Part V of the prospectus dated 29 January 2010 (“Prospectus”), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Scheme (as defined in the Prospectus) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 30 September 2009. This report is required by paragraph 20.2 of Annex I of the Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

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

#### **Responsibilities**

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

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

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

#### **Basis of opinion**

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

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

**Opinion**

In our opinion:

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

**Declaration**

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

Yours faithfully

**Scott-Moncrieff**

## PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information of the Company has been prepared for illustrative purposes only, to show the impact of the Scheme on the Company's audited net assets as at 30 September 2009 on the basis that the Scheme and the acquisition of the investment portfolio and all of the other assets and liabilities of VCT II by the Company had been completed on that date. This pro forma financial information has been prepared in a manner consistent with the accounting policies of the Company and VCT II as adopted in their last published accounts.

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

	Adjustments			
Company (as at 30 September 2009) (£'000) (Note 1)	Acquisition of the assets and liabilities of VCT II (£'000) (Note 2)	Expenses of the Merger (£'000) (Note 3)	Enlarged Company pro forma (as at 30 September 2009) (£'000)	
Investments (at fair value)	28,305	20,066		48,371
Debtors	138	556		694
Cash and overnight deposits	4,278	3,756		8,034
Creditors: amounts falling due within one year	(583)	(126)	(310)	(1,019)
Net current assets	3,833	4,186	(310)	7,709
<b>Net assets</b>	<b>32,138</b>	<b>24,252</b>	<b>(310)</b>	<b>56,080</b>

### Notes:

1. The financial information on the Company has been extracted without material adjustment from the audited financial statements of the Company for the year ended 30 September 2009.
2. The acquired assets and liabilities of VCT II are based on the assets and liabilities of VCT II as extracted without material adjustment from its unaudited half-yearly accounts for the six months ended 30 June 2009.
3. Total costs of approximately £310,000 (inclusive of VAT and net of the £100,000 contribution from Unicorn AM) are expected to be incurred in relation to the Merger.
4. The pro forma statement of net assets of the Company does not take account of any transactions of the Company or VCT II or other changes in the value of the assets and liabilities of the Company and VCT II, since 30 September 2009 in respect of the Company and 30 June 2009 in respect of VCT II.
5. The Company is now proposing to acquire the investment portfolio and all of the other assets and liabilities of VCT II as set out on page 32 of this document, which, as at 30 June 2009 (being the date of the most recently published unaudited half-yearly accounts for the six month ended 30 June 2009), amount in aggregate to £24.252 million. The total costs associated with the Merger referred to in note 3 above payable by the Company are estimated to be approximately £172,143 (inclusive of VAT). Other than the costs of the Merger, the acquisition is not expected to have a material effect on the levels of revenue and losses to be incurred by the Company relative to its enlarged asset base had the acquisition occurred on 30 September 2009.

**PART VI – INVESTMENT PORTFOLIOS AND PRINCIPAL INVESTMENTS OF THE COMPANY,  
VCT II AND THE ENLARGED COMPANY**

The following unaudited information represents all the investments of the Company and VCT II as at the date of this document.

<b>Investments</b>	<b>Company Value *(£)</b>	<b>%</b>	<b>VCT II Value *(£)</b>	<b>%</b>	<b>Enlarged Company Value *(£)</b>	<b>%</b>
<b>Investee companies</b>						
<i>Quoted</i>						
Abcam plc	3,856,820	11.93	2,354,700	9.10	6,211,520	10.67
Access Intelligence plc	332,505	1.03	209,005	0.81	541,510	0.93
ACM Shipping Group plc	–	–	52,578	0.20	52,578	0.09
Animalcare Group plc	345,502	1.07	1,209,139	4.67	1,554,641	2.67
Assetco plc	268	0.00	–	–	268	0.00
Augean plc	145,069	0.45	244,264	0.94	389,333	0.67
Avingtrans plc	498,240	1.54	–	–	498,240	0.86
Belgravium Technologies plc	58,334	0.18	29,171	0.11	87,505	0.15
Brookwell Limited	43,538	0.13	43,538	0.17	87,076	0.15
Brulines Group plc	–	–	655,776	2.53	655,776	1.13
Charles Taylor Consulting plc	201,000	0.62	–	–	201,000	0.35
Chime Communications plc	266,293	0.82	119,437	0.46	385,730	0.66
Clerkenwell Ventures plc	55,862	0.17	56,142	0.22	112,004	0.19
Cohort plc	478,848	1.48	1,041,332	4.02	1,520,180	2.61
Connaught plc	338,566	1.05	–	–	338,566	0.58
Crawshaw Group plc	–	–	489,552	1.89	489,552	0.84
Datong plc	197,916	0.61	98,959	0.38	296,875	0.51
Dillistone Group plc	187,898	0.58	28,164	0.11	216,062	0.37
Discover Leisure plc	–	–	31,253	0.12	31,253	0.05
Driver Group plc	218,246	0.68	285,570	1.10	503,816	0.87
eg Solutions plc	67,693	0.21	67,693	0.26	135,386	0.23
Glisten plc	495,123	1.53	338,640	1.31	833,763	1.43
Green Compliance plc	1,200,000	3.71	800,000	3.09	2,000,000	3.44
Hasgrove plc	215,043	0.67	322,586	1.25	537,629	0.92
Hexagon Human Capital plc	45,461	0.14	66,572	0.26	112,033	0.19
HML Holdings plc	–	–	333,333	1.29	333,333	0.57
Huveaux plc	300,332	0.93	–	–	300,332	0.52
Idox plc	–	–	543,260	2.10	543,260	0.93
Individual Restaurant Group plc	–	–	95,698	0.37	95,698	0.16
Intelligent Environment Group plc	18,000	0.06	–	–	18,000	0.03
Invocas Group plc	80,652	0.25	–	–	80,652	0.14
INVU plc	–	–	8,333	0.03	8,333	0.01
IS Pharma plc	300,000	0.93	150,000	0.58	450,000	0.77
Keycom plc	180,000	0.56	–	–	180,000	0.31
Kiotech International plc	884,003	2.73	881,840	3.41	1,765,843	3.03
Lees Foods plc	197,600	0.61	–	–	197,600	0.34
Lorien plc	–	0.00	–	0.00	–	0.00
Mattioli Woods	1,518,459	4.70	869,223	3.36	2,387,682	4.10
Maxima Holdings plc	1,106,213	3.42	221,432	0.86	1,327,645	2.28
Mears Group plc	1,564,539	4.84	–	–	1,564,539	2.69
Melorio plc	640,462	1.98	702,000	2.71	1,342,462	2.31
Microgen plc	237,862	0.74	–	–	237,862	0.41
Mount Engineering plc	–	–	214,286	0.83	214,286	0.37
PHSC plc	–	–	144,340	0.56	144,340	0.25
Pilat Media Global plc	132,500	0.41	–	–	132,500	0.23
Praesepe plc	141,825	0.44	122,379	0.47	264,204	0.45
Pressure Technologies plc	–	–	1,120,241	4.33	1,120,241	1.92
Printing.com plc	276,708	0.86	–	–	276,708	0.48
Prologic plc	322,560	1.00	–	–	322,560	0.55
Renew Holdings plc	277,500	0.86	–	–	277,500	0.48
Robert Walters plc	528,125	1.63	–	–	528,125	0.91
Sanderson Group plc	261,834	0.81	–	–	261,834	0.45
Shieldtech plc	360,000	1.11	360,009	1.39	720,009	1.24
Sigma Capital Group plc	87,500	0.27	–	–	87,500	0.15
SnackTime plc	1,275,000	3.94	1,092,330	4.22	2,367,330	4.07
Supporta plc	1,120,512	3.47	895,200	3.46	2,015,712	3.46
Surgical Innovations plc	–	–	275,773	1.07	275,773	0.47
Tangent Communications plc	97,125	0.30	201,934	0.78	299,059	0.51
Tracsis plc	521,768	1.61	377,768	1.46	899,536	1.55

<b>Investments</b>	<b>Company Value *(£)</b>	<b>%</b>	<b>VCT II Value *(£)</b>	<b>%</b>	<b>Enlarged Company Value *(£)</b>	<b>%</b>
Tristel plc	424,461	1.31	187,630	0.72	612,091	1.05
Universe Group plc	187,500	0.58	157,504	0.61	345,004	0.59
Vindon Healthcare plc	–	–	475,000	1.83	475,000	0.82
Vitesse Media plc	–	–	176,000	0.68	176,000	0.30
Zetar plc	680,416	2.10	–	–	680,416	1.17
<i>Unquoted</i>						
Amber Taverns Limited	1,076,000	3.33	550,500	2.13	1,626,500	2.79
The Debt Advisor Group plc	–	0.00	–	0.00	–	0.00
Synarbor plc	–	0.00	–	0.00	–	0.00
Fishworks plc	–	0.00	–	0.00	–	0.00
Cantono plc	–	0.00	–	0.00	–	0.00
Careforce Group plc	–	0.00	–	0.00	–	0.00
Centurion Electronics plc	–	0.00	–	0.00	–	0.00
Strategic Retail plc	–	0.00	–	0.00	–	0.00
Optimisa plc	–	0.00	–	0.00	–	0.00
Ovum plc	–	0.00	–	0.00	–	0.00
Greatfleet plc	–	0.00	–	0.00	–	0.00
Talarius plc	–	0.00	–	0.00	–	0.00
Sanastro plc	–	0.00	–	0.00	–	0.00
Relax Group plc	–	0.00	–	0.00	–	0.00
<i>Loan notes</i>						
Access Intelligence plc	375,000	1.16	375,000	1.45	750,000	1.29
Amber Taverns Limited	225,000	0.70	225,000	0.87	450,000	0.77
INVU plc	–	0.00	200,000	0.77	200,000	0.34
SnackTime plc	310,000	0.96	240,000	0.93	550,000	0.94
<i>Other Assets</i>						
Unicorn Free Spirit Fund	969,188	3.00	–	0.00	969,188	1.66
Unicorn MasterTrust Fund	1,453,153	4.50	–	0.00	1,453,153	2.50
Unicorn Outstanding British Companies Fund	499,722	1.55	–	0.00	499,722	0.86
Unicorn UK Income Fund	382,437	1.18	1,228,217	4.74	1,610,654	2.77
Unicorn UK Smaller Companies Fund	1,754,916	5.43	1,657,814	6.40	3,412,730	5.86
<b>Total portfolio investments</b>	<b>30,017,097</b>		<b>22,626,115</b>		<b>52,643,212</b>	
Cash at bank	2,517,741		3,390,844		5,908,585	
<b>Total investments</b>	<b>32,534,838</b>		<b>26,016,959</b>		<b>58,551,797</b>	
Debtors	95,471		93,845		189,316	
Creditors (falling due in less than 1 year)	(305,175)		(222,322)		(527,497)	
<b>Net assets</b>	<b>32,325,134</b>		<b>25,888,482</b>		<b>58,213,616</b>	

\* Investment valuations and portfolio information in this Part VI has been derived from the Company's and Acrobat VCT II's accounting records taken from their respective unaudited management accounts to 31 December 2009. As at the date of this document, there has been no material change in the valuations set out in this Part VI since 31 December 2009. These unaudited valuations have been prepared in a manner consistent with the accounting policies of the Company and Acrobat VCT II as adopted in their last published accounts.

### Thirteen largest investments of the Enlarged Company

Set out below are further details of the thirteen largest investments of the Enlarged Company in aggregate representing more than 50 per cent. of the gross assets of the Company (including investments representing 5 per cent. of the expected gross assets of the Enlarged Company) as at the date of this document.

#### Abcam plc

Online distributor of therapeutic antibodies for research purposes, based in Cambridge.

				<b>Accounts for the year ended 30 June 2009</b>
Profit/(loss) before tax				£16,303,000
Retained profit/(loss)				£12,291,000
Net assets/(liabilities)				£36,468,000
<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	1.8	1,103,536	6,211,520	10.67

#### Unicorn UK Smaller Companies OEIC

				<b>Accounts for the year ended n/a</b>
Profit/(loss) before tax				£n/a
Retained profit/(loss)				£n/a
Net assets/(liabilities)				£n/a
<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation</b>	<b>Percentage of Net Assets (%)</b>
Units	68.9	3,407,918	3,412,730	5.86

#### SnackTime plc

Operators of vending machines, based in Wokingham, Berkshire.

				<b>Accounts for the year ended 31 March 2009</b>
Profit/(loss) before tax				£201,993
Retained profit/(loss)				£130,993
Net assets/(liabilities)				£4,721,721
<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price and Cost)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	12.8	1,990,000	2,367,330	4.07
Loan Stock		550,000	550,000	0.94

**Mattioli Woods plc**

Consultants in the provision of pension and wealth management services, based in Leicester.

**Accounts  
for the year  
ended  
31 May 2009**

Profit/(loss) before tax	£3,896,668
Retained profit/(loss)	£2,722,258
Net assets/(liabilities)	£16,458,508

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	5.8	1,330,627	2,387,683	4.10

**Amber Taverns Limited**

Based in Lancashire, the company acquires underperforming freehold public houses that are refurbished with the aim of returning them to their full operational potential.

**Accounts  
for the year  
ended  
31 January  
2009**

Profit/(loss) before tax	£167,121
Retained profit/(loss)	£(23,471)
Net assets/(liabilities)	£602,480

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Discounted Earnings and Cost)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	33.0	450,000	526,500	0.90
A Ordinary Shares	1.6	50,000	50,000	0.09
Preference Shares	33.3	1,050,000	1,050,000	1.80
Loan Stock		450,000	450,000	0.77

**Supporta plc**

Provision of back office support and domiciliary care to the public and private sectors, based in Manchester.

**Accounts  
for the year  
ended  
31 March  
2009**

Profit/(loss) before tax	£(2,825,000)
Retained profit/(loss)	£(13,435,000)
Net assets/(liabilities)	£16,311,000

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	7.3	1,926,273	2,015,712	3.46

**Green Compliance plc**

Provision of energy services and consultancy, based in Cirencester.

**Accounts  
for the year  
ended  
31 March  
2009**

Profit/(loss) before tax	£(1,159,461)
Retained profit/(loss)	£(1,172,221)
Net assets/(liabilities)	£(1,698,005)

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	9.7	1,000,000	2,000,000	3.44

**Kiotech International plc**

Manufacturer of aquaculture products, based in Worksop, Nottinghamshire.

**Accounts  
for the year  
ended  
31 December  
2008**

Profit/(loss) before tax	£482,211
Retained profit/(loss)	£335,628
Net assets/(liabilities)	£7,535,586

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	12.4	1,630,015	1,765,843	3.03

**Unicorn UK Income Fund****Accounts  
for the year  
ended  
n/a**

Profit/(loss) before tax	£n/a
Retained profit/(loss)	£n/a
Net assets/(liabilities)	£n/a

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	67.9	1,812,467	1,610,654	2.77

**Mears Group plc**

Social housing and domiciliary care, based in Gloucester.

**Accounts  
for the year  
ended  
31 December  
2008**

Profit/(loss) before tax	£16,582,000
Retained profit/(loss)	£12,782,000
Net assets/(liabilities)	£95,704,000

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	0.7	1,149,053	1,564,539	2.69

**Animalcare Group plc**

Manufacturer and supplier worldwide of livestock, healthcare and management products, based in North Yorkshire.

**Accounts  
for the year  
ended  
30 June  
2009**

Profit/(loss) before tax	£1,527,000
Retained profit/(loss)	£1,039,000
Net assets/(liabilities)	£15,382,000

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	8.28	£900,096	£1,554,641	2.67

**Cohort plc**

Provision of a wide range of technical services to clients in the defence and security sectors, based in Oxfordshire.

**Accounts  
for the year  
ended  
30 April  
2009**

Profit/(loss) before tax	£6,454,000
Retained profit/(loss)	£5,082,000
Net assets/(liabilities)	£45,585,000

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	3.20	£1,689,794	£1,520,180	2.61

**Unicorn MasterTrust Fund****Accounts  
for the year  
ended  
n/a**

Profit/(loss) before tax	£n/a
Retained profit/(loss)	£n/a
Net assets/(liabilities)	£n/a

<b>Holding</b>	<b>Equity Percentage (%)</b>	<b>Cost</b>	<b>Valuation (Bid Price)</b>	<b>Percentage of Net Assets (%)</b>
Ordinary Shares	31.90	£1,227,795	£1,453,153	2.5

**Note:**

Investment and portfolio information in this Part VI has been derived from the Company's and VCT II's accounting records (taken from their respective unaudited management accounts to 31 December 2009). In respect of the information on investee companies' sales, profits and losses and net assets, these have been taken from the latest financial year end accounts published by those investee companies as referred to in this Part VI ("Third Party Information"). As at the date of this document, there has been no material change in the valuations set out in this Part VI since 31 December 2009. The Third Party Information has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from information provided, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## PART VII – TAX POSITION OF SHAREHOLDERS

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

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

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

### The Company

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

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

### Share Consolidation

The Share Consolidation, and the associated redesignations into first S3 Shares and then New Ordinary Shares and the purchase of Deferred Shares, will not constitute disposals of the existing Shares held in the Company for the purposes of UK taxation. Instead, the resulting New Ordinary Shares will be treated as having been acquired at the cost and on the date as the full original holding from which they arise (but allocated pro-rata between such New Ordinary Shares). Any capital gains tax deferral obtained on subscription will not, therefore, be triggered.

No UK stamp duty will be payable as a result of the Share Consolidation.

Clearances to the above effect have been obtained from HMRC under section 701 ITA 2007 and Section 138 TCGA 1992 as well as pursuant to VCT provisions.

### The Scheme

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

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

The implementation of the Scheme will not affect the VCT status of the Company.

### Shareholders of the Company

Shareholders will continue to be afforded the usual tax reliefs as shareholders of a VCT including:

#### 1. Income Tax

##### 1.1 Dividend relief

An investor who acquires in any tax year VCT shares having a value of up to the annual limit (from 6 April 2004 a maximum of £200,000, previously £100,000) will not be liable to income tax on dividends paid on those shares.

##### 1.2 Purchasers in the market

An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief (as described in paragraph 1.1 above).

### **1.3 Withdrawal of relief**

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue (or three years if issued after 5 April 2000 but before 6 April 2006) or if the VCT loses its approval within this period. Dividend relief ceases to be available once the investor ceases to own the VCT shares in respect of which it has been given.

## **2. Capital Gains Tax**

### **2.1 Relief from capital gains tax on the disposal of VCT shares.**

A disposal by a shareholder of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the annual limit (£200,000 from 6 April 2004, previously £100,000) for any tax year.

### **2.2 Purchasers in the market**

An individual purchaser of existing VCT shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 2.1 above).

### **Withdrawal of Approval**

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval as a VCT, approval may be withdrawn or treated as never having been given. In these circumstances, reliefs from income tax on the initial investment are repayable unless loss of approval occurs more than five years after the issue (three years if issued after 5 April 2000 but before 6 April 2006) of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in an accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

### **Shareholders not resident in the UK**

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

## PART VIII – TAX POSITION OF THE COMPANY

The Company has to satisfy a number of tests to continue to qualify as a VCT. A summary of these tests is set out below. 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.

### Qualification as a VCT

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

- not be a close company;
- have each class of its ordinary share capital quoted on the London Stock Exchange;
- derive its income wholly or mainly from shares or securities;
- have at least 70 per cent. by VCT Value of its investments in shares or securities in qualifying holdings, of which 30 per cent. by VCT Value must be in ordinary shares carrying no preferential rights to dividends, voting, or assets on a winding-up and no rights to be redeemed;
- have at least 10 per cent. by VCT Value of each qualifying holding in ordinary shares which carry no preferential rights to dividends, voting or assets on a winding-up and no rights to be redeemed;
- not have more than 15 per cent. by VCT Value of its investments in a single company at the time of investment (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- not retain more than 15 per cent. of its income derived from shares and securities in any accounting period.

### Qualifying Holdings

A qualifying holding consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions and for which not more than £1 million was subscribed in any one tax year (nor more than £1 million in, broadly, any period of six months straddling two tax years). The conditions are detailed but include for funds raised before 6 April 2006, that the company must be a qualifying company, that it has gross assets not exceeding £15 million immediately before and not exceeding £16 million immediately after the investment and £7 million and £8 million immediately after the investment for funds raised thereafter, applies the money raised for the purposes of a qualifying trade within certain time periods and that it is not controlled by another company. 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.

### Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on AIM and the PLUS Markets) 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 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 trade must be carried on wholly or mainly in the UK but the company need not be a 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 be more than 50 per cent. owned.

For the investment of funds raised after 5 April 2007 a Qualifying Company is one with less than 50 full-time equivalent employees and has not had more than £2 million of VCT funds raised after 5 April 2007 (together with funds under the Enterprise Incentive Scheme and the Corporation Venturing Scheme) in any rolling 12 month period.

### 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 funds need to meet the relevant tests.

### **Withdrawal of Approval**

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from time to time when notice is given to the VCT but, in relation to capital gains tax 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.

## PART IX – ADDITIONAL INFORMATION

### 1. THE COMPANY

- 1.1 The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 7 August 2001, with registered number 04266437. The principal legislation under which the Company operates is the Companies Acts and regulations made thereunder. The name of the Company is Unicorn AIM VCT plc. The Company is not regulated by the FSA or an equivalent European Economic Area regulator but it is subject to regulation by HMRC under the VCT Rules in order to qualify as a VCT.
- 1.2 On 27 September 2001, 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 One Vine Street, London W1J 0AH. The Company is domiciled in England and 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 17 August 2004.
- 1.5 The International Securities Identification Number of the Ordinary Shares is GB0030918303, the S2 Shares is GB0034206721 and S3 Shares is GB00B1RTFN43. On completion of the Share Consolidation the New Ordinary Shares will be issued with a new International Securities Identification Number.

### 2. SHARE CAPITAL

- 2.1 The authorised share capital of the Company on incorporation was £50,000, divided into 50,000 ordinary shares of £1 each, of which two ordinary shares were issued, nil paid, to the subscribers of the memorandum. These shares have subsequently been paid up in full in cash.
- 2.2 On 26 September 2001:
  - 2.2.1 by ordinary resolution, the ordinary share capital was sub-divided into Ordinary Shares (of 1p each) and the authorised share capital of that fund was increased to £400,000 by the creation of 300,000 Ordinary Shares and 50,000 redeemable preference shares of £1 each ("Preference Shares");
  - 2.2.2 by ordinary resolution, 50,000 Preference Shares were allotted to Matrix-Securities Limited and paid up as to one quarter so as to enable the Company to obtain a trading certificate under section 117 of CA 1985 (as further detailed at 1.2 above). Under this resolution it was authorised that once fully paid up such Preference Shares would be subsequently redeemed out of the proceeds of the initial offer and redesignated and sub-divided into one hundred Ordinary Shares in the authorised, but unissued capital of the Company; and
  - 2.2.3 by special resolution, the Company resolved that the amount standing to the credit of the Ordinary Share premium account of the Company, at the date of the order made by the Court on the hearing for a petition for confirmation of this resolution, be cancelled. The cancellation was confirmed by the Court on 12 June 2002 and registered by the Registrar of Companies on 17 June 2002.
- 2.3 On 13 January 2004 the authorised share capital of the Company was increased from £400,000 to £650,000 by the creation of 25,000,000 S2 Shares of 1p each.
- 2.4 On 13 January 2004, and by special resolution, the Company resolved that the amount standing to the credit of the S2 Share premium account of the Company, at the date of the order made by the Court on the hearing for a petition for confirmation of this resolution, be cancelled. The cancellation was confirmed by the Court on 16 September 2004 and registered by the Registrar of Companies on 17 September 2004.
- 2.5 On 15 February 2007 at an extraordinary general meeting the authorised share capital of the Company was increased from £650,000 to £950,000 by the creation of 30,000,000 S3 Shares of 1p each.
- 2.6 On 15 February 2007, and by special resolution, the Company resolved that the amount standing to the credit of the S3 Share premium account of the Company, at the date of the order made by the Court on the hearing for a petition for confirmation of this resolution, be cancelled. The

cancellation was confirmed by the Court on 19 December 2007 and registered by the Registrar of Companies on 21 December 2007.

2.7 The following resolutions were passed at the annual general meeting of the Company held on 15 January 2009:

2.7.1 in substitution for any existing authorities pursuant to section 80 of the CA 1985:

- (a) the Directors were unconditionally authorised to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in section 80(2) of the CA 1985) of the Company to such persons, at such time and generally on such terms and conditions as the Directors may determine provided that the authority conferred shall expire on the fifth anniversary of the date of the passing of this resolution, unless previously renewed, varied or revoked by the Company in general meeting and the maximum nominal value of such relevant securities as aforesaid which may be allotted pursuant to such authority shall be £177,461; and
- (b) the Directors were entitled under the authority conferred by paragraph (i) of this resolution or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly.

2.7.2 in substitution for any existing authorities pursuant to section 95(1) of the CA 1985 the Directors were empowered to allot equity securities (as defined in section 94(2) of the CA 1985) for cash pursuant to the authority conferred upon them by the resolution above as if section 89(1) of the CA 1985 did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

- (a) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent of the issued Ordinary Share capital and/or the issued S2 Share capital and/or the issued S3 Share capital of the Company in connection with a rights issue where the Ordinary Shares or, as the case may be, S2 Shares or, as the case may be, S3 Shares offered to all holders of shares in the relevant class are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares or, as the case may be, S2 Shares or, as the case may be, S3 Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or directions from any holders of equity securities to deal in some other manner with their respective entitlements, or the requirements of any recognised regulatory body or any stock exchange in any territory;
- (b) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent of the issued Ordinary Share capital and/or the issued S2 Share capital and/or the issued S3 Share capital of the Company in connection with any dividend investment or similar scheme as may be introduced by the Company from time to time
- (c) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10 per cent of the issued Ordinary Share capital and/or the issued S2 Share capital and/or the issued S3 Share capital of the Company where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares or as the case may be, S2 Shares or, as the case may be, S3 Shares in the market; and
- (d) the allotment (otherwise than pursuant to sub-paragraphs (i), (ii) and (iii) above) of equity securities with an aggregate nominal value of up to but not exceeding 5 per cent of the issued Ordinary Share capital and/or the issued S2 Share capital and/or the issued S3 Share capital of the Company from time to time

2.7.3 the Company was generally and, subject as detailed below, unconditionally authorised in accordance with Section 166 of the CA 1985) to make market purchases (within the meaning of Section 163(3) of CA 1985) of its Shares of 1p each in the capital of the Company provided that:

- (a) the maximum aggregate number of Ordinary Shares, S2 Shares and S3 Shares authorised to be purchased was 4,643,954, 2,213,234 and 743,210 respectively;
- (b) the minimum price which may be paid for a Share shall be 1p per share;

- (c) the maximum price, exclusive of expenses, which may be paid for a Share shall be not more than 105 per cent. of the average of the middle market quotations taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase;
- (d) the authority conferred by this resolution shall (unless previously renewed or revoked) expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2010 or the date which is fifteen months after the date on which this resolution is passed; and
- (e) the Company may, before the expiry of the authority, make a contract to purchase its own shares which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own share in pursuance of such a contract.

2.8 There are no other shares or loan capital in the Company under option or agreed, conditionally or unconditionally, to be put under option nor does the Company hold any share capital in treasury.

2.9 As at 30 September 2009, the authorised share capital of the Company was £950,000 divided into 40,000,000 Ordinary Shares (of which 30,297,471 were in issue, all fully paid-up), 25,000,000 S2 Shares (of which 14,430,227 were in issue, all fully paid-up) and 30,000,000 S3 Shares (of which 4,958,036 were in issue, all fully paid-up). Since that date the Company has bought back 79,457 Ordinary Shares and 18,106 S2 Shares (no buy-backs of S3 Shares have been undertaken), therefore, the issued Share capital as at the date of this document is 30,218,014 Ordinary Shares and 14,412,121 S2 Shares. The authorised Share capital of the Company and the number of S3 Shares in issue is the same as it was on 30 September 2009.

2.10 The following resolutions of the Company will be proposed at the Extraordinary General Meeting of the Company to be held on 25 February 2010:

2.10.1 That, subject to the Scheme becoming unconditional:

2.10.1.1 in respect of each holder of Ordinary Shares, such number of Ordinary Shares as is represented by X (rounded down to nearest whole number) in the following formula be redesignated as S3 Shares, the balance to be redesignated as Deferred Shares having the rights and restrictions set out in the articles of association to be adopted pursuant to the resolution at paragraph 2.10.1.3 below:

and for those purposes ZA and ZB shall be calculated as follows:

$$X=S \times \left( \frac{O \text{ NAV}}{S_3 \text{ NAV}} \right)$$

where:

S = the number of Ordinary Shares held as at close of business on 8 March 2010;

O NAV = the unaudited NAV of an Ordinary Share as at close of business on 8 March 2010; and

S<sub>3</sub> NAV = the unaudited NAV of a S3 Share as at close of business on 8 March 2010.

2.10.1.2 in respect of each holder of S2 Shares, such number of S2 Shares as is represented by X (rounded down to nearest whole number) in the following formula be redesignated as S3 Shares, the balance to be redesignated as Deferred Shares having the rights and restrictions set out in the articles of association to be adopted pursuant to resolution at paragraph 2.10.1.3 below:

$$X=S \times \left( \frac{S_2 \text{ NAV}}{S_3 \text{ NAV}} \right)$$

where:

S = the number of S2 Shares held as at close of business on 8 March 2010;

S<sub>2</sub> NAV = the unaudited NAV of a S2 Share as at close of business on 8 March 2010; and

S<sub>3</sub> NAV = the unaudited NAV of a S3 Share as at close of business on 8 March 2010.

- 2.10.1.3 the articles of association of the Company (“Articles”):
- 2.10.1.3.1 be amended by deleting all the provisions of the Company’s Memorandum of Association which, by virtue of section 28 of the CA 2006, are to be treated as provisions of the Articles; and
- 2.10.1.3.2 be substituted for the articles of association produced to the meeting and initialled by the chairman for identification and such articles of association and are adopted as the Articles in place of the existing articles of association of the Company;
- 2.10.1.4 the Company, acting by its Directors, be authorised to enter into a contract to purchase all the issued Deferred shares following the redesignations referred to in the resolutions at paragraphs 2.10.1.1 and 2.10.1.2 above in accordance with the Articles to be adopted pursuant to the resolution at paragraph 2.10.1.3 above (in the form tabled at the meeting and initialled by the chairman for the purposes of identification and which as at the date of the meeting has been on display at the Company’s registered office and available for inspection by members for not less than 15 days), such authority to expire 18 months from the date of the passing of the resolution in this paragraph 2.10.1.4; and
- 2.10.1.5 that all of the issued and unissued S3 Shares (including, for the avoidance of doubt) those arising from the redesignations pursuant to the resolutions at paragraphs 2.10.1.1 and 2.10.1.2 above be redesignated as ordinary shares of 1p each in the capital of the Company.
- 2.10.2 That, subject to the Scheme becoming unconditional,
- 2.10.2.1 the acquisition of the assets and liabilities of VCT II plc on the terms set out in the Circular be approved; and
- 2.10.2.2. in substitution for all subsisting authorities to the extent unused the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the CA 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in to the Company (“Rights”) up to an aggregate nominal amount of £300,000 in connection with the Scheme, provided that the authority conferred by the resolution set out in this paragraph 2.10.2.2 shall expire on the fifth anniversary of the date of the passing of the resolution set out in this paragraph 2.10.2.2 unless renewed, varied or revoked by the Company in a general meeting.
- 2.10.3 That:
- 2.10.3.1 in substitution for all subsisting authorities to the extent unused the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the CA 2006 to exercise all the powers of the Company to allot Shares in the Company and to grant Rights up to an aggregate nominal amount of £70,000 during the period commencing on the passing of the resolution set out in this paragraph 2.10.3.1 and expiring on the fifth anniversary of the date of the passing of the resolution set out in this paragraph 2.10.3.1 (unless renewed, varied or revoked by the Company in a general meeting) but so that the 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.
- 2.10.3.2 in addition to existing authorities, the directors be empowered pursuant to Section 570 and 573 of the 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 the CA 2006) for cash pursuant to the authority given in pursuant to the resolution at paragraph 2.10.3.1 or by way of a sale of treasury shares, as if Section 561(1) of the CA 2006 did not apply to such allotment, provided that the power provided by the resolution set out in this paragraph 2.10.3.2 shall expire on the conclusion of the annual general meeting of the Company to be held in 2011 and provided further that this power shall be limited to the allotment and issue of equity securities up to an aggregate nominal value representing 10 per cent. of the issued share capital as at 10 March 2010, where the proceeds may in whole or part be used to purchase shares; and
- 2.10.3.3 in addition to existing authorities, the Company be empowered to make one or more market purchases within the meaning of Section 693(4) of the CA 2006 of its own shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:

- (i) the aggregate number of shares which may be purchased shall not exceed;
  - (ii) the minimum price which may be paid per share is 1p, the nominal value thereof;
  - (iii) 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
  - (iv) the authority conferred by the resolution in this paragraph 2.10.3.3 shall expire on the conclusion of the annual general meeting of the Company to be held in 2011 unless such authority is renewed prior to such time; and
  - (v) the Company may make a contract to purchase Shares under the authority conferred by the resolution set out in this paragraph 2.10.3.3 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.
- 2.10.4 That the Revised Management Arrangements (as defined in the Circular) with Unicorn AM be approved.
- 2.10.5 That, subject to the Scheme becoming effective, the amount standing to the credit of the share premium account of the Company, at the date the order is made confirming such cancellation by the court, be cancelled.
- 2.11 The following resolutions of the Company will be proposed at the Annual General Meeting of the Company to be held on 25 February 2010:
- 2.11.1 To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 30 September 2009, together with the report by PKF (UK) LLP, the Company's auditors thereon.
  - 2.11.2 To approve the Directors' Remuneration Report for the year ended 30 September 2009 as set out in the annual report and accounts of the Company for the year ended 30 September 2009.
  - 2.11.3 To re-appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as the Company's auditors and that their remuneration be fixed by the Directors.
  - 2.11.4 To re-elect Jocelin Harris as a Director of the Company.
  - 2.11.5 To elect James Grossman as a Director of the Company.

### **3. MEMORANDUM AND ARTICLES OF ASSOCIATION**

In this paragraph 3, reference to "Directors" means the directors of the Company from time to time, reference to the "Board" means the board of directors of the Company from time to time and reference to "the Act" means the CA 1985 and/or the CA 2006 as the context permits.

#### **Memorandum**

The Memorandum, which, by virtue of section 28 of the 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.

#### **3.1.1 Share Capital**

##### **3.1.1.1 Share Capital**

The authorised share capital is £950,000 divided into 40,000,000 Ordinary Shares, 25,000,000 S2 Shares and 30,000,000 S3 Shares;

### 3.1.1.2 Dividends

The holders of Ordinary Shares (“Ordinary Shareholders”) shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the Ordinary Shares.

The holders of S2 Shares (“S2 Shareholders”) shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the S2 Shares.

The holders of S3 Shares (“S3 Shareholders”) shall be entitled to receive, in that capacity, any dividends paid out of the net income derived from the assets attributable to the S3 Shares.

### 3.1.1.3 Rights as to Capital

The capital and assets of the Company shall on a winding up or on a return of capital be applied as follows:

- (a) any surplus of assets attributable to the Ordinary Shares shall be divided amongst the holders of the Ordinary Shares pro rata according to their holdings of Ordinary Shares;
- (b) any surplus of assets attributable to the S2 Shares surplus shall be divided amongst the holders of S2 Shares pro rata according to their holdings of S2 Shares; and
- (c) any surplus of assets attributable to the S3 Shares surplus shall be divided amongst the holders of S3 Shares pro rata according to their holdings of S3 Shares.

### 3.1.1.3 Voting Rights

The Ordinary Shares, the S2 Shares and the S3 Shares shall rank *par passu* as to rights to attend and vote at any general meeting of the Company.

### 3.1.1.4 Class Consents and Variation of Rights

The consent of each of (i) the holders of the S3 Shares as a class, (ii) the holders of the S2 Shares as a class and (iii) the holders of the Ordinary Shares as a class shall be required to approve, and accordingly the special rights attached to the S2 Shares and the Ordinary Shares shall be deemed to be varied, *inter alia*, by:

- (a) any alteration to the Memorandum of Association or the Articles; or
- (b) any consolidation, division, sub-division, cancellation, reduction or off-market purchase by the Company of any issued or authorised share capital of the Company; or
- (c) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company; or
- (d) any change in the accounting reference date of the Company.

## 3.1.2 General Meetings

### 3.1.2.1 Annual General Meetings

Subject to the provisions of the CA 1985, annual general meetings shall be held at such time and place as the Board may determine.

### 3.1.2.2 Extraordinary General Meetings

All general meetings other than annual general meetings, shall be called extraordinary general meetings.

### 3.1.2.3 Convening of Extraordinary General Meeting

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition or in default may be convened by such requisitionists as provided by Section 368 of the CA 1985. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the UK sufficient members of the Board

to convene a general meeting, any Director or any member of the Company may call a general meeting.

#### **3.1.2.4 Notice of General Meeting**

- (a) An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a Director or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be convened by not less than 21 clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing.
- (b) Subject to the provisions of the Act, and notwithstanding that it is convened by shorter notice than that specified in the above, a general meeting shall be deemed to have been duly convened if it is so agreed:
  - (i) in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and
  - (ii) in the case of any other meeting by a majority in number of the members having a right to attend and vote at the meeting being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.
- (c) Every notice convening a general meeting shall specify:
  - (i) whether the meeting is an annual general meeting or an extraordinary general meeting;
  - (ii) the place, the day and the time of the meeting;
  - (iii) in the case of special business the general nature of that business
  - (iv) if the meeting is convened to consider a special or extraordinary resolution the intention to propose the resolution as such; and
  - (v) with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.
- (d) The notice shall be given to the members (other than any who under the provisions of these Articles or of any restrictions imposed on any shares are not entitled to receive notice from the Company), to the Directors and to the auditors and if more than one for the time being, to each of them

#### **3.1.2.5 Omission to Send 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, to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

#### **3.1.2.6 Special Business**

All business that is transacted at a general meeting shall be deemed special, except the following transactions at an annual general meeting:

- (a) the declaration of dividends;
- (b) the receipt and consideration of the annual accounts and the reports of the Directors and the auditors and other documents required to be attached or annexed to the accounts;
- (c) the receipt and consideration of the reports of the audit and remuneration committees;
- (d) the election or re-election of Directors;
- (e) the fixing of the Directors fees pursuant to article 97 of the Articles;
- (f) the re-appointment of the Auditors retiring (unless they were last appointed otherwise than by the Company in general meeting) and the fixing of the remuneration of the Auditors or the determination of the manner in which such remuneration is to be fixed;
- (g) the giving, variation or renewal of any authority of the Board for the purposes of Section 80 of the CA 1985 or any power pursuant to Section 95 of the CA 1985.

### **3.1.3 Proceedings at General Meetings**

#### **3.1.3.1 Quorum**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the Meeting. Subject to the provisions below, 2 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.

#### **3.1.3.2 If Quorum not Present**

If within 15 minutes (or such longer interval as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be 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 to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than 14 nor more than 28 days thereafter. 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 or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least 7 clear days' notice of any meeting adjourned through lack of quorum.

### **3.1.4 Voting**

#### **3.1.4.1 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 CA 1985, a poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) by at least 5 members present in person or by proxy having the right to vote at the meeting; or
- (c) a member or members present in person or by proxy representing not less than one tenth of the voting rights of all the members having the right to vote at the meeting; or
- (d) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right, and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

#### **3.1.4.2 Chairman's Declaration Conclusive on Show of Hands**

Unless a poll is duly demanded and the demand is not withdrawn a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive, and an entry to that effect in the book containing the minutes of proceedings of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

### **3.1.5 Votes of Members**

Subject to the provisions of the CA 1985 and to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall on a show of hands have one vote and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote for each share of which he is the holder.

### 3.1.6 Variation of Class Rights

#### 3.1.6.1 Sanction to Variation

- (a) Subject to the provisions of the CA 1985, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in these Articles (but not otherwise).
- (b) The foregoing provisions of this article shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied

#### 3.1.6.2 Class Meetings

All the provisions in the Articles as to general meetings shall *mutatis mutandis* apply to every meeting of the holders of any class of shares save that:

- (a) the quorum at every such meeting shall be not less than 2 persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class;
- (b) every holder of shares of the class present in person or by proxy may demand a poll;
- (c) each such holder shall on a poll be entitled to one vote for every share of the class held by him; and
- (d) if at any adjourned meeting of such holders, such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum

### 3.1.7 Increase, Consolidation, Cancellation and Subdivision

The Company in general meeting may from time to time by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (b) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) subject to the provisions of the CA 1985, sub-divide its shares or any of them into shares of smaller nominal value than is fixed by the memorandum of association and may by such resolution determine that as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

### 3.1.8 Transfer of Shares

#### 3.1.8.1 Form of Transfer

Except as may be provided by any procedures implemented pursuant to article 21 of the Articles, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such 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. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect of it.

### **3.1.8.2 Right to Refuse Registration**

- (a) The Board may in its absolute discretion and without giving any reason refuse to register any share transfer unless:
- (i) it is in respect of a share which is fully paid up;
  - (ii) it is in respect of only one class of shares;
  - (iii) it is in favour of a single transferee or not more than four joint transferees;
  - (iv) it is duly stamped (if so required); and
  - (v) it is delivered for registration to the Office, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so, provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis.

### **3.1.9 Dividends and Other Payments**

#### **3.1.9.1 Declaration of Dividends**

Subject to the provisions of the CA 1985 and of the Articles, the Company may by ordinary resolution declare that out of profits available for distribution dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board.

#### **3.1.9.2 Entitlement to Dividends**

- (a) Except as otherwise provided by the rights attached to shares, 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. Subject as aforesaid, all dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid but 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.
- (b) All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names shall be on the register at the date at which such dividend shall be declared or at the date at which such interest shall be payable respectively, or at such other date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.
- (c) The Board may pay the dividends or interest payable on shares in respect of which any person is by transmission entitled to be registered as holder to such person upon production of such certificate and evidence as would be required if such person desired to be registered as a member in respect of such shares.

### **3.1.10 Borrowing Powers**

- 3.1.10.1 Subject as provided in the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the CA 1985, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- 3.1.10.2 The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its

subsidiaries so as to procure (as regards its subsidiaries in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Group (exclusive of moneys borrowed by one Group (being the Company and its subsidiaries from time to time) company from another and after deducting cash deposited) 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 (as defined below) and Reserves (as defined below) provided that prior to the publication of an audited balance sheet of the Company such aggregate principal amount shall be limited to 10 per cent of the amount paid up or credited as being paid up (whether in respect of nominal value or premium) of the allotted and issued share capital of the Company.

3.1.10.3 For these purposes only:

(a) the Adjusted Capital and Reserves means a sum equal to the aggregate from time to time of:

- (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company; and
- (ii) the amount standing to the credit of the capital and revenue reserves of the Group, whether or not distributable (including without limitation any share premium account, capital redemption reserve fund, and credit or debit balance on any other distributable reserve) after adding thereto or deducting therefrom any balance standing to the credit or debit of the profit and loss account,

all as shown in the latest audited balance sheet of the Group (prepared on the historical cost basis, modified to the extent as may be stated in the accounting policies used for the preparation of such balance sheet) but after:

- (iii) making such adjustments as may be appropriate to reflect
  - (A) any variation in the amount of the paid up share capital, the share premium account or the capital redemption reserve or any such reserves since the date of the relevant balance sheet and so that for the purpose of making such adjustments:
    - (aa) if any issue or proposed allotment 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 monies payable in respect of them (not being monies payable later than 6 months after the date of allotment) shall be deemed to have been paid up to the extent so underwritten on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, the date on which it became unconditional);
    - (bb) subject as aforesaid, share capital (including any premium) shall be deemed to have been paid up as soon as it has been unconditionally agreed to be subscribed or taken up (within 6 months of such agreement) by any person;
  - (B) any variation since the date of the relevant balance sheet of the companies comprising the Group;
  - (C) where the calculation is required for the purposes of or in connection with a transaction under 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;
- (iv) excluding (so far as not already excluded):
  - (A) amounts attributable to the proportion of the issued equity share capital of any subsidiary which is not attributable directly or indirectly to the Company;
  - (B) any sum set aside for taxation (including deferred taxation);

- (v) deducting:
  - (A) sums equivalent to the book values of goodwill and other intangible assets shown in the relevant balance sheet; and
  - (B) the amount of any distribution declared, recommended or made by any Group company to a person other than a Group company out of profits accrued up to and including the date of (and not provided for in) the relevant balance sheet.
- (b) cash deposited means an amount equal to the aggregate of the amounts beneficially owned by Group companies which are deposited for the time being with any bank or other person (not being a Group company) and which are repayable to any Group company on demand or within three months of such demand subject, in the case of amounts deposited by a partly-owned subsidiary, to the exclusion of a proportion thereof equal to the proportion of its issued equity share capital which is not attributable, directly or indirectly, to the Company;
- (c) moneys borrowed include not only moneys borrowed but also the following except in so far as otherwise taken into account:
  - (i) the nominal amount of any issued and paid up share capital and the principal amount of any debenture or borrowings of any person together with any fixed or minimum premium payable on redemption, the beneficial interest in which or right to repayment to which is not for the time being owned by a Group company but the payment or repayment of which is the subject of a guarantee or indemnity by a Group company or is secured on the assets of a Group company;
  - (ii) the principal amount raised by any Group company by acceptances or under any acceptance credit opened on its behalf by any bank or acceptance house (not being a Group company) other than acceptances and acceptance credits relating to the purchase of goods or services in the ordinary course of trading and outstanding for 6 months or less;
  - (iii) the principal amount of any debenture (whether secured or unsecured) of any Group company beneficially owned otherwise than by a Group company;
  - (iv) the principal amount of any preference share capital of any subsidiary beneficially owned otherwise than by a Group company;
  - (v) any fixed or minimum premium payable on final repayment of any borrowing or deemed borrowing (but any premium payable on final repayment of an amount not to be taken into account as moneys borrowed shall not be taken into account); and
  - (vi) any fixed amount in respect of a hire-purchase agreement or of a finance lease payable in either case by a Group company which would be shown at the material time as an obligation in a balance sheet prepared in accordance with the accounting principles used in the preparation of the relevant balance sheet (and for the purpose of this sub-paragraph (vi) finance lease means a contract between a lessor and a Group company as lessee or sublessee where substantially all the risks and rewards of the ownership of the asset leased or subleased are to be borne by that company and purchase hire-agreement means a contract of hire-purchase between a hire-purchase lender and a Group company as hirer);  
but do not include:
    - (vii) moneys borrowed by any Group company for the purpose of repaying within 6 months of being first borrowed the whole or any part of any moneys borrowed and then outstanding (including any premium payable on final repayment) of that or any other Group company pending their application for such purpose within that period;
    - (viii) moneys borrowed by any Group company for the purpose of financing any contract in respect of which any payment of the price receivable under the contract by that or any other Group company is guaranteed or insured by the Export Credits Guarantee Department or by any other institution fulfilling a similar function up to

an amount equal to but not exceeding that part of the price receivable under the contract which is so guaranteed or insured;

- (ix) an amount equal to the moneys borrowed of any company outstanding immediately after it becomes a Group company provided that it became a Group company during the 6 months preceding the calculation;
- (x) an amount equal to the amount secured on an asset immediately after it was acquired by a Group company provided that it was acquired during the 6 months preceding the calculation;
- (xi) notwithstanding paragraphs (i) to (vi), the proportion of moneys borrowed by a Group company (and not owing to another Group company) which is equal to the proportion of its issued equity share capital not attributable directly or indirectly to the Company;
- (xii) amounts borrowed or raised which are for the time being deposited with H.M. Customs & Excise or any other body designated by any relevant legislation or order in connection with import deposits or any similar government scheme to the extent that a member of the group retains an interest in them;

and in paragraphs (vii) to (xii) above references to amounts of moneys borrowed include references to amounts which, but for the exclusion under those paragraphs, would fall to be included;

- (d) there shall be credited against the amount of any moneys borrowed any cash deposited;
- (e) for the avoidance of doubt it is hereby expressly provided that for the purposes of the limit set out in the Articles (as set out in paragraph 3.1.10.2 above) the following sums shall be deemed not to be moneys borrowed of the Group:
  - (i) any and all sums retained by any member of the Group (or their agent or nominee) under the terms of any contract or other arrangement relating to the construction of capital projects where the retention is made for the purposes of securing satisfactory completion and entry into service of the project for so long as and to the extent that any member of the Group is entitled to retain such sums under the relevant contract or arrangement;
  - (ii) sums advanced or paid to any member of the Group (or their agent or nominee) by customers of any member of the Group as prepayments or progress payments or payments on account or by way of deposit or security in respect of any products or services or under any sales contracts or settlements systems; and
  - (iii) sums which otherwise would fall to be treated as borrowed moneys of any member of the Group which were treated with the concurrence of the auditors and in accordance with any current Statement of Standard Accounting Practice or other accountancy principle or practice generally accepted for the time being in the United Kingdom in the latest audited balance sheet of the relevant member of the Group on which such consolidation was based as otherwise than borrowed moneys of that member of the Group;
- (f) relevant balance sheet means the latest published audited consolidated balance sheet of the Group, but where the Company has no subsidiaries it means the balance sheet and profit and loss account of the Company and, where the Company has subsidiaries but there are no consolidated accounts of the Group, it means the respective balance sheets and profit and loss accounts of the companies comprising the Group; and -
- (g) subsidiary has the meaning given to it in the CA 1985 except that where the relevant balance sheet is in respect of an accounting reference period of the Company which commenced on or after 23 December 1989 it shall also include a subsidiary undertaking (within the meaning of the CA 1985) (except a subsidiary undertaking which is excluded from consolidation by virtue of the provisions of Section 229 of the CA 1985), and Group and Group company and references to any company which becomes a Group company or to companies comprising the Group shall in such case be construed so as to include subsidiary undertakings except a subsidiary undertaking which is excluded from consolidation as aforesaid and equity share capital shall be construed in relation to a

subsidiary undertaking without a share capital in the same manner as shares are defined in relation to an undertaking without a share capital under Section 259(2)(b) and (c) of the CA 1985.

- 3.1.10.4 When the aggregate amount of moneys borrowed required to be taken into account for the purposes of this article on any particular day is being ascertained any of such moneys denominated or repayable in a currency other than sterling shall if not subject to a contract or arrangement determining the rate of exchange be converted for the purpose of calculating the sterling equivalent either:
- (a) with the exception of Excepted Foreign Currency Borrowings at the rate of exchange prevailing at the material time in London provided that the moneys comprising such borrowing shall be translated (if thereby such sterling amount would be less) at the option of the Company at the rate of exchange prevailing in London 6 months before such time. For the purposes of this subparagraph the rate of exchange shall be taken as the middle market rate as at the close of business in London on the relevant day or, if such day is not a business day, on the last business day before the day in question;
  - (b) in the case of any Excepted Foreign Currency Borrowings, at the rate of exchange which would be applicable to the moneys comprising such borrowing on their repayment to the extent that such rate of exchange is fixed under any Exchange Cover Scheme in connection with such moneys borrowed provided that where it is not possible to determine the rate of exchange applicable at the time of repayment of any such moneys borrowed they shall be translated into sterling under the terms of the applicable Exchange Cover Scheme on such basis as may be agreed with or determined by the auditors or, if this is agreed by the auditors not to be practicable, in accordance with the provisions of paragraph (a);

For these purposes:

- (i) Excepted Foreign Currency Borrowings means moneys borrowed denominated or repayable in a currency other than sterling which have the benefit of an Exchange Cover Scheme and Exchange Cover Scheme means any exchange cover scheme, forward currency contract, currency option, back to back loan, swap or other arrangement taken out or entered into to reduce the risks associated with fluctuations in exchange rates; and
  - (ii) where under the terms of any borrowing the amount of money which would be required to discharge the principal amount of moneys borrowed in full if it fell to be repaid (whether at the option of the company borrowing the same or by reason of default) at such material time is less than the amount which would otherwise be taken into account in respect of such moneys borrowed for the purposes of this Article, the amount of such moneys borrowed to be taken into account shall be such lesser amount.
- 3.1.10.5 A report or certificate of the Auditors as to the amount of the Adjusted Capital and Reserves or the amount of moneys borrowed falling to be taken into account for the purposes of this article 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 or as a result of any particular transaction or transactions shall be conclusive evidence of the amount or of that fact.
- 3.1.10.6 Nevertheless for the purposes of this article the Directors may at any time act in reliance on a bona fide estimate of the amount of the Adjusted Capital and Reserves and if in consequence the limit set out in the Articles (as set out in paragraph 3.1.10.2 above) is inadvertently exceeded, an amount borrowed equal to the excess may be disregarded until the expiration of 3 months after the date on which by reason of a determination of the auditors or otherwise the Directors become aware that such a situation has or may have arisen.
- 3.1.10.7 No debt incurred or security given in respect of moneys borrowed in excess of the limit imposed by this article shall be invalid or ineffectual except in the case of express notice to the lender or recipient of the security at the time when the debt was incurred or security given that the limit had been or would thereby be exceeded but no lender or

other person dealing with the Company shall be concerned to see or enquire whether such limit is observed.

### **3.1.11 Directors' Interests**

#### **3.1.11.1 Conflicts of Interest Requiring Board Authorisation**

The Board may, provided the quorum and voting requirements set out below are satisfied, authorise any matter that would otherwise involve a Director breaching his duty under the CA 2006 to avoid conflicts of interest.

- (a) Any Director (including the Director concerned) may propose that the Director concerned be authorised in relation to any matter the subject of such a conflict. Such proposal and any authority given by the Board shall be effected in the same way that any other matter may be proposed to and resolved upon by the Board under the provisions of these Articles, except that the Director concerned and any other Director with a similar interest:
  - (i) shall not count towards the quorum at the meeting at which the conflict is considered;
  - (ii) may, if the other members of the Board so decide, be excluded from any Board meeting while the conflict is under consideration; and
  - (iii) shall not vote on any resolution authorising the conflict except that, if he does vote, the resolution will still be valid if it would have been agreed to if his vote had not been counted.

#### **3.1.11.2 Where the Board gives authority in relation to such a conflict:**

- (a) the Board may (whether at the time of giving the authority or at any time or times subsequently) impose such terms upon the Director concerned and any other Director with a similar interest as it may determine, including, without limitation, the exclusion of that Director and any other Director with a similar interest from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) related to the conflict;
- (b) the Director concerned and any other Director with a similar interest will be obliged to conduct himself in accordance with any terms imposed by the Board from time to time in relation to the conflict;
- (c) any authority given by the Board in relation to a conflict may also provide that where the Director concerned and any other Director with a similar interest obtains information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence;
- (d) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
- (e) the Board may withdraw such authority at any time.

#### **3.1.11.3 A Director is entitled to accept a benefit from a third party, even if the benefit was conferred by reason of his being a Director, if the receipt of the benefit is disclosed to and approved by the Board within a reasonable time of its receipt or the value or nature of the benefit or series of benefits taken as a whole is such that it cannot reasonably be regarded (including by reference to any scale or categorisation of benefits that the Board may from time to time prescribe for the purpose) as likely to give rise to a conflict of interest.**

#### **3.1.11.4 Director may have Interests**

Subject to the provisions of the CA 1985 and the Articles (as set out in paragraph 3.1.11.1 above) and further provided that a Director declares his interest at the meeting, a Director, notwithstanding his office:

- (a) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (b) may hold any other office or place of profit under the Company (except that of Auditor (being the auditor of the Company from time to time) or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by itself or through his firm in a professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the remuneration committee may arrange either in addition to or in lieu of any remuneration provided for by any other article;
- (c) may be a member of or a director or other officer, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by or promoting the Company or in which the company is otherwise interested or as regards which the Company has any powers of appointment; and
- (d) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, remuneration, superannuation payment or other benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate; and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

### **3.1.12 Untraced Members**

#### **3.1.12.1 Power of Sale**

- (a) The Company shall be entitled to 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:
  - (i) during the period of 12 years prior to the date of the publication of the advertisements referred to in paragraph (b) (or if published on different dates, the earlier or earliest of them) no cheque, order or warrant in respect of such share sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled by transmission to the share at his address on the register or other last known address given by the member or person to which cheques, orders or warrants in respect of such share are to be sent has been cashed and the Company has received no communications in respect of such share from such member or person provided that during such period of 12 years at least 3 cash dividends (whether interim or final) in respect of the shares in question have become payable and no such dividend during that period has been claimed by the person entitled to it;
  - (ii) on or after expiry of the said period of 12 years the Company has given notice of its intention to sell such share by advertisements in both a national daily newspaper published in the United Kingdom and in a newspaper circulating in the area in which the last known address of such member or person appeared;
  - (iii) the said advertisements, if not published on the same day, shall have been published within 30 days of each other;
  - (iv) during the further period of 3 months following the date of publication of the said advertisements (or, if published on different dates the later or latest of them) and prior to the exercise of the power of sale the Company has not received any communication in respect of such share from the member or person entitled by transmission; and
  - (v) the Company has given notice to the London Stock Exchange of its intention to make such sale and shall have obtained the approval of the Quotations Department to the proposed form of the said advertisement, if shares of the class concerned are listed or dealt in on that exchange

- 3.1.12.2 To give effect to any sale of shares pursuant to this article the Board may authorise some person to transfer the shares in question and may enter the name of the transferee in respect of the transferred shares in the register notwithstanding the absence of any share certificate being lodged in respect of it and may issue a new certificate to the transferee. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the shares. The purchaser shall not be bound to see to the application

of the purchase moneys nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

### 3.1.13 Capitalisation of Reserves

The Board may with the authority of an ordinary resolution of the Company:

- 3.1.13.1 subject as provided in this article, resolve to capitalise any profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company which is available for distribution or standing to the credit of share premium account or capital redemption reserve or other undistributable reserve;
- 3.1.13.2 appropriate the sum resolved to be capitalised on the date specified in the resolution to the holders of Ordinary Shares in proportion to the nominal amount of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amount, if any, for the time being unpaid on any share held by them respectively or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those holders of Ordinary Shares or as they may direct in those proportions or partly in one way and partly in the other provided that:
- (a) the share premium account, the capital redemption reserve, any other undistributable reserve and any profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to holders of Ordinary Shares credited as fully paid; and
  - (b) in a case where any sum is applied in paying amounts for the time being unpaid on any shares of the Company or in paying up in full debentures of the Company, the amount of the net assets of the Company at that time is not less than the aggregate of the called up share capital of the Company and its undistributable reserves as shown in the latest audited accounts of the Company or such other accounts as may be relevant and would not be reduced below that aggregate by the payment of it;
- 3.1.13.3 resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends;
- 3.1.13.4 make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit of it to the Company rather than to the holders of Ordinary Shares concerned) or by payment in cash or otherwise as it thinks fit in the case of shares or debentures becoming distributable in fractions;
- 3.1.13.5 authorise any person to enter on behalf of all the holders of Ordinary Shares concerned into an agreement with the Company providing for either:
- (a) the allotment to them respectively, credited as fully paid up, of any shares or debentures to which they may be entitled on such capitalisation; or
  - (b) the payment up by the Company on behalf of such holders by the application to it of their respective proportions of the reserves or profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares,
- (any agreement made under such authority being effective and binding on all such holders); and
- 3.1.13.6 generally do all acts and things required to give effect to such resolution.

### 3.1.14 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 266(2)(c) of the CA 1985 shall be prohibited. The Board shall establish a reserve to be called the capital reserve. During a Relevant Period all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to the CA 1985, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the CA 1985, any expenses, loss or liability (or provision thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of these Articles during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the CA 1985) or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the CA 1985) or be applied in paying dividends on any shares in the Company.

### **3.1.15 Winding Up**

#### **3.1.15.1 Division of Assets**

- (a) The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.
- (b) If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This article is subject to the rights attached to any shares which may be issued on special terms or conditions.
- (c) If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 110, IA 1986. The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

#### **3.1.15.2 Transfer or Sale under Section 110, Insolvency Act 1986**

A special resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 110, Insolvency Act 1986 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

#### **3.1.15.3 Duration of the Company**

In addition, but not in limitation to the provisions of the Articles (as set out in paragraph 3.1.15.1 above), in order for the future of the Company to be considered by the members, the Board shall at

the annual general meeting of the Company falling after the fifth anniversary of the last allotment of shares in the Company and thereafter at five yearly intervals, invite the members to consider and debate the future of the Company (including, without limitation, whether the Company should be wound up, sold or unitised) and as soon as practicable following that meeting shall convene an extraordinary general meeting to propose such resolution as the members attending the annual general meeting may by ordinary resolution require

#### 4. Directors' and Other Interests in the Company

4.1 As at 28 January 2010 (this being the latest practicable date prior to publication of this document), the Company is not aware of any person who, immediately following the issue of the New Ordinary Shares pursuant to the Scheme, directly or indirectly, has or will have an interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules of the FSA, a holding of 3 per cent. or more must be notified to the Company).

4.2 As at 28 January 2010 (this being the latest practicable date prior to publication of this document), the interests of the Directors and the Proposed Directors (and their immediate families) in the issued share capital of the Company and VCT II were as follows:

	Company				% of Share Capital
	Ordinary Shares	S2 Shares	S3 Shares	Total Shares	
Peter Dicks	50,000	25,625	25,750	101,375	0.20
James Grossman	–	–	–	–	–
David Royds	20,000	25,562	25,750	71,312	0.14
Jocelin Harris	10,000	–	20,600	30,600	0.06
Malcolm Diamond	–	–	–	–	–
Jeremy Hamer	–	–	–	–	–

	VCT II			% of VCT II Share Capital
	Ordinary Shares	C Shares	Total Shares	
Peter Dicks	–	–	–	–
James Grossman	–	–	–	–
David Royds	–	–	–	–
Jocelin Harris	–	–	–	–
Malcolm Diamond	10,550	10,300	20,850	0.06
Jeremy Hamer	15,412	10,300	25,712	0.08

4.3 None of the Directors have an interest in VCT II Shares and none of the directors in VCT II have an interest in Shares in the Company.

4.4 As at 28 January 2010 (this being the latest practicable date prior to publication of this document) save as disclosed above, no Director, his family or any person connected to the Director or Proposed Director within the meaning of s.252 CA 2006 has any interest in the share or loan capital of the Company.

4.5 None of the Directors has a service agreement with the Company, nor are any such contracts proposed. The Directors were appointed under letters of appointment dated 1 October 2001 in respect of Peter Dicks and David Royds, 25 April 2006 in respect of Jocelin Harris and 15 January 2009 in respect of James Grossman. All appointments may be terminated on three months' notice. No arrangements have been entered into by the Company, entitling the Directors to compensation for loss of office. David Royds and James Grossman are entitled to annual fees of £15,000, whilst Jocelin Harris (as the senior independent director and as audit committee chairman) is entitled to £17,500 and Peter Dicks (as chairman) is entitled to £20,000. The Proposed Directors will be appointed on the same terms as the existing Directors. Malcolm Diamond's annual fee will be £15,000, whilst Jeremy Hamer will receive £17,500 per annum as it is intended that he will assume

the position of audit committee chairman following completion of the Merger (£10,000 of Malcom Diamond's fee and £12,500 of Jeremy Hamer's fee will be paid to them via their consulting companies). Fees paid to the Directors in respect of the year ended 30 September 2009 were £63,164 (being £20,000 to Peter Dicks, £17,500 to Jocelin Harris, £15,000 to David Royds and £10,664 to James Grossman who was appointed as a Director on 15 January 2009). If the Merger did not take place aggregate emoluments for the current year are expected to be £67,500. If the Merger is effected, emoluments per annum are expected to be £85,000, which, whilst it is an increase, will be a reduction on the aggregate emoluments across both the Company and VCT II of £50,000 per annum. No amounts have been put aside to provide pensions, retirement or similar benefits to any Directors.

4.6 David Royds is a director of Matrix-Securities Limited, the Company's secretary and administrator, and is interested in the contracts referred to at paragraphs 6.1.4, 6.1.5, 6.1.7 and 6.1.8 below. Matrix-Securities Limited has also on occasion acted as promoter to the Company in respect of fundraisings since 1 October 2006. David Royds is a director and shareholder of Matrix Group Limited which (i) holds a controlling stake in Matrix Corporate Capital LLP, which acts as broker to the Company; and (ii) is the parent company of the wholly owned subsidiary Matrix-Securities Limited. Malcolm Diamond, as a Proposed Director, is a shareholder in Unicorn AM and is interested in the contracts referred to at paragraph 6.3.3.

4.7 The Directors and Proposed Directors are shareholders in the following companies in which the Company has invested:

<b>Director</b>	<b>Investee Company</b>
Peter Dicks	Keycom plc Supporta plc Mears Group
Jocelin Harris	Keycom plc Mears Group plc
James H Grossman	Abcam plc Mears Group plc
<b>Proposed Director</b>	<b>Investee Company</b>
Jeremy Hamer	Access Intelligence plc Avingtrans plc Glisten plc

4.8 Save as set out in paragraphs 4.6 and 4.7 above, there are no potential conflicts of interest between the duties of any Director, Proposed Director or Unicorn AM and their private interests and/or other duties.

4.9 Other than disclosed in this paragraph 4, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company in the years ended 30 September 2007, 2008 and 2009 or in the current financial year or which was effected in an earlier financial year and remains in any respect outstanding or unperformed.

4.10 No loan or guarantee has been granted or provided by the Company to or for the benefit of any of the Directors or the Proposed Directors.

4.11 The Company has taken out directors' and officers' liability insurance for the benefit of its Directors, which is renewable on an annual basis. This will cover the Proposed Directors from the date of their appointment.

4.12 The Directors and 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:

<b>Name</b>	<b>Current</b>	<b>Past 5 Years</b>
Peter Dicks	Daniel Stewart Securities plc Foresight VCT plc Foresight 2 VCT plc Foresight 3 VCT plc Foresight 4 VCT plc  Gartmore Fledgling Trust plc GFT Dealing Limited Graphite Enterprise Trust plc Lebanon Holdings (Luxembourg) Mears Group plc Mercia Fund 1 General Partner Limited Private Equity Investor plc Second London American Trust plc Standard Microsystems Corporation (USA) SportingBet plc SVM UK Emerging Fund plc Unicorn AIM VCT plc	Boostcareer Limited CM Group Holdings Limited GEI Group plc ISEC Securities Limited The East German Investment Trust plc United Industries plc Vencap International plc Waterline Group plc
Jocelin Harris	Brandbank Limited Durrington Corporation Limited Eeonyx Corporation (USA) Foresight 2 VCT plc Halkin Secretaries Limited Millenium Mats Limited Queen Mary, University of London Foundation Roil Foods Limited Serres Limited Speed to Market Limited The St Peter's College Foundation The Webb Partnership Limited Tudor Roof Tile Co. Limited Unicorn AIM VCT plc Unipower Solutions Europe Limited	Alembic Foods Limited Alembic Products Limited Automat International Limited Cuesol Inc (USA) Food Trak Limited Integrity Treasure Solutions Limited Little Rock Limited  M-Box Limited Nishana Investments Limited Performance Brands Limited Porlock Limited The Resource Connection Limited Teviot Holdings Limited Teviotdale Windows & Doors Limited Tribology Investment Limited Unipower Group Limited Unipower Solutions Europe (EBT) Limited Unipower Systems Limited Valinco Investments Limited

<b>Name</b>	<b>Current</b>	<b>Past 5 Years</b>
David Royds	<p>Alban Gate (GP) Limited  Basing View Nominees 1 Limited  Basing View Nominees 2 Limited  Glowing Sunset Limited  Kensington Church Street LLP  London Renewable Energy  Consultancy Services LLP  Lreccs (Nominees) Limited  Matrix-Data Limited  Matrix-IMS LLP</p> <p>Matrix-Securities Limited  Matrix Alban Gate Limited  Matrix Calton Park Nominee Limited  Matrix Cheadle Limited  Matrix DM (DR) Limited  Matrix DM (RL) Limited  Matrix Energy Limited  Matrix European Portfolio (General  Partner) Limited  Matrix Film Distribution Limited  Matrix Group Limited  Matrix Heritage (No.1) Limited  Matrix Heritage (No.8) Limited  Matrix Heritage (No.10) Limited  Matrix Heritage (No.11) Limited  Matrix Heritage (No.23) Limited  Matrix Heritage (No.26) Limited  Matrix Heritage (No.28) Limited  Matrix Heritage (No.34) Limited  Matrix Holborn Limited  Matrix Hull Limited  Matrix (Inchinnan) General Partner  Limited  Matrix Inchinnan RR Limited  Matrix Manchester No.1 Limited  Matrix Manchester No.2 Limited  Matrix New Professionals (No.14)  Limited  Matrix Partnership Services Limited  Matrix Portfolio (General Partner)  Limited  Matrix Portfolio No.1 Limited  Matrix Portfolio No.2 Limited  Matrix Property Management Limited  Matrix Rosyth No.1 Limited  Matrix Rosyth No.2 Limited</p> <p>Matrix Sherburn Limited  Matrix Speke Limited  Matrix Springfields Limited  MFF Developments Limited  MFF (Hairy Tale) Limited  MFF (MOV) Limited  MFF (Rough Footage) Limited  MFF (Something Borrowed) Limited  MFF (Summer Affair) Limited</p>	<p>Bessemer Drive Nominees I Limited  Bessemer Drive Nominees II Limited  Bowler Limited  CJS Productions Limited  DMG Productions Limited  Foresight VCT plc</p> <p>Foresight VCT 2 plc  GLE Development Capital Limited  GLE Development Capital (G.P.)  Limited  IP Maestrale Energy G1 LLP  IP Maestrale Energy G2 LLP  IP Maestrale Energy G3 LLP  IP Maestrale Energy G4 LLP  IP Maestrale Energy Italy 1 LLP  IP Maestrale Energy Italy 2 LLP  IP Maestrale Energy Italy 3 LLP  IP Maestrale Energy Italy 4 LLP</p> <p>IP Maestrale Energy Italy 5 LLP  IP Maestrale Energy Italy 6 LLP  IP Maestrale Energy Italy 7 LLP  IP Maestrale Energy Italy 8 LLP  IP Maestrale Energy Italy 9 LLP  IP Maestrale Energy Italy 10 LLP  IP Maestrale Energy Italy 12 LLP  IP Maestrale Energy Italy 13 LLP  IP Maestrale Energy Italy 14 LLP  IP Maestrale Energy Italy 15 LLP  IP Maestrale Energy Italy 16 LLP  IP Maestrale Energy Italy 17 LLP  IP Maestrale Energy Italy 18 LLP</p> <p>IP Maestrale Energy Italy 19 LLP  Kelregal Limited  Kirkhill (General Partner) Limited  Matrix Basildon No.1 Limited</p> <p>Matrix Basildon No.2 Limited  Matrix Biofuels LLP</p> <p>Matrix Bunhill Row Limited  Matrix Carlton Square Limited  Matrix Edinburgh One Limited  Matrix (Gillingham) Limited  Matrix Granada (General Partner)  Limited  Matrix Heritage (No.7) Limited  Matrix Heritage (No.37) Limited  Matrix Heritage (No.38) Limited  Matrix Heritage (No. 6) Limited  Matrix Heritage (No. 9) Limited  Matrix Leasing 1 LLP  Matrix Maple Cross Limited  Matrix (Moorgate) Limited  Matrix Morpheous Limited</p>

<b>Name</b>	<b>Current</b>	<b>Past 5 Years</b>
	MFF (Tristan Und Isolde) Limited	Matrix New Professionals (No.4) Limited
	MFF (Young and Beautiful) Limited	Matrix New Professionals (No.6) Limited
	Millfields Plymouth LLP	Matrix New Professionals (No.8) Limited
	Monatuk Limited	Matrix New Professionals (No.9) Limited
	MP Nominee Trustee Limited	Matrix New Professionals (No.11) Limited
	NVB Productions LLP	Matrix New Professionals (No.3) Limited
	Novia Financial Holdings Limited	Matrix Portsmouth Limited
	Novia Financial plc	Matrix Saint-Laurent-De-Mure (UK) Limited
	Peldryn Limited	Matrix Stevenage Limited
	Plot 101 Nominee Limited	Matrix (Temple Quay) Limited
	Plot 101 Nominee 2 Limited	Matrix (Tudor Street) Limited
	Plot 403-405 Nominee Limited	Matrix UK Commercial Property No.2 Limited
	Plot 403-405 Nominee 2 Limited	Matrix Westbrook Mills Limited
	Portfolio Stoke 1 Limited	Matrix Wind 1 LLP
	Portfolio Stoke 2 Limited	Matrix Wolverhampton Limited
	Portobello Developments plc	MFF (Sound of Thunder) Limited
	R & J NZ Investment LLP	Millfields Stonehouse Limited
	Southern Properties I plc	MPFM Holdings Limited
	Southern Properties II plc	Principal Management Company Limited
	Southern Properties III plc	Ron Sanders Enterprises Limited
	Southern Properties IV plc	Shackleton Gate Nominees I Limited
	Southern Properties V plc	Shackleton Gate Nominees II Limited
	Southern Properties VI plc	The VCT Charitable Trust
	Southern Properties VII plc	Triven 2 VCT Limited
	Tender Taupe Limited	UK Commercial Property No 1 Limited
	Unicorn AIM VCT plc	Zammat GP Limited
	VictoryDance Limited	
	Vine Street Investments Limited	
	Waveney Shipping plc	
	Waveney Shipping II plc	
	Woodlands Property Management Limited	
	Woodlands Nominees Limited	
James H Grossman	Unicorn AIM VCT plc	Champion Communications Services Inc (USA)
	Canoel International Energy Limited (Canada)	World Gaming plc
	Thalassa Energy Limited (British Virgin Islands)	
Malcolm Diamond	Catherdral Works Organisation (Chicester) Limited	Centurion Electronics plc
	Dechra Pharmaceuticals plc	MY Marketing Limited
	Soundscape Environmental Structures LLP	
	Trifast plc	
	Unicorn AIM VCT II plc	

<b>Name</b>	<b>Current</b>	<b>Past 5 Years</b>
Jeremy Hamer	Access Intelligence plc Avingtrans plc Internet Marketing Limited Rose Bowl plc SQS plc Unicorn AIM VCT II plc Zero 9ine Limited	Berkeley Scott Group plc Business Control Solutions Group plc Glisten plc Inter Link Foods plc Legal Information Services Limited Napier Brown Foods Limited Rushden Granulating Company Limited Rushden Playsafe Limited TNSN Information Services Limited West Country Fine Foods Limited

4.13 None of the Directors or Proposed Directors have any convictions in relation to fraudulent offences during the previous five years.

4.14 Save as disclosed in this paragraph, there were no bankruptcies, receiverships or liquidations of any companies or partnership where any of the Directors or 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.

4.14.1 Peter Dicks is a director of Second London American Trust plc, which was placed in members' voluntary liquidation in August 2006. Peter Dicks was also, until this year, a director of The East German Investment Trust plc, which was placed in voluntary liquidation in November 2008. Peter Dicks was also director of ISEC Securities Limited, United Industries plc, CM Group Holdings Limited and Boostcareer Limited, which were dissolved in September 2005, May 2008, August 2008 and August 2009 respectively and all of which were voluntarily wound up.

4.14.2 until March 2006, Jocelin Harris was a director of The Resource Connection Limited, which recently applied for voluntary strike off from the register of companies. Jocelin Harris was also a director of Food Trak Limited and Automat International Limited when they were dissolved in January 2009 and May 2009 respectively and both of which were voluntarily struck off the register of companies.

4.14.3 David Royds is a director of the following companies all of which were placed in members' voluntary liquidation on the following dates:

- Southern Properties I plc (April 2009);
- Southern Properties II plc (April 2009);
- Southern Properties III plc (April 2009);
- Southern Properties IV plc (April 2009);
- Southern Properties V plc (April 2009),
- Southern Properties VI plc (April 2009);
- Southern Properties VII plc (April 2009);
- Matrix Heritage (No.1) Limited (March 2008);
- Matrix Heritage (No.8) Limited (September 2009);
- Matrix Heritage (No.10) Limited (March 2008);
- Matrix Heritage (No.11) Limited (September 2009);
- Matrix Heritage (No.23) Limited (March 2008);
- Matrix Heritage (No.28) Limited (September 2009); and
- Matrix Heritage (No.34) Limited (October 2008).

David Royds is also a director of Waveney Shipping plc which was placed in voluntarily liquidation in January 2008 and Waveney Shipping II plc which was placed in liquidation in January 2007. David Royds was a director of CJS Productions Limited, DMG Productions Limited and Ron Sanders Enterprises Limited when they were dissolved in April 2007 all of which were voluntarily wound up. David Royds was a director of Bessemer Drive Nominees I Limited and Bessemer Drive Nominees II Limited when they were both dissolved in July

2007 both of which were voluntarily struck off the register of companies. David Royds was a director of Shackleton Gate Nominees I Limited and Shackleton Gate Nominees II Limited when they were both dissolved in October 2009 both of which were voluntarily struck off the register of companies.

David Royds was also a director of the following companies when they were dissolved on their respective dates:

- TriVen 2 VCT Limited (voluntarily struck off the register of companies in July 2005);
- GLE Development Capital Limited (voluntarily struck off the register of companies in April 2007);
- GLE Development Capital (GP) Limited (voluntarily struck off the register of companies in May 2007);
- Bowler Limited (voluntary liquidation dissolved in September 2008);
- Zammat GP Limited (voluntarily struck off the register of companies in March 2009); and
- Kelregal Limited (voluntarily struck off the register of companies in September 2009).
- Matrix Heritage (No.34) Limited (voluntarily struck off the register of companies in December 2009)

4.14.4 Jeremy Hamer was a non-executive director of Inter Link Foods plc which is currently in administration. As at 11 August 2009, the date to which the latest administrator's report was filed with the Registrar of Companies, the Company had outstanding creditors amounting to £14.9 million and unsecured creditor claims amounting to £17.9 million. Jeremy Hamer was an investor representative non-executive director of TNSN Information Services Limited when it was dissolved in June 2005 by way of a voluntary strike off the register of companies. Jeremy Hamer was also a director of Rushden Granulating Company Limited which was dissolved in March 2007. He was also an investor representative non-executive director of Rushden Playsafe Limited when it was dissolved in August 2007. Jeremy Hamer was a director of West Country Fine Foods Limited until resigning in July 2008, this company has subsequently entered into administration in March 2009.

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

## **5. Overseas Shareholders**

5.1 The issue of New Ordinary 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:

5.1.1 none of the New Ordinary 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 or Japan;

5.1.2 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

5.1.3 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, or Japan. It is the responsibility of VCT II 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 Ordinary Shares pursuant to the Scheme, including the obtaining of any government or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

## 6. Material Contracts

6.1 Save as disclosed in this paragraph 6.1, the Company has not entered, other than in the ordinary course of business, into any contract which is or may be material to the Company within the two years immediately preceding the publication of this document or into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

6.1.1 A management agreement dated 1 October 2001 between the Company (1) and Unicorn AM (2) pursuant to which Unicorn AM provide certain management services to the Fund for a fee payable quarterly in advance at a rate of 2 per cent. per annum of the NAV of the Company calculated in accordance with the Company's normal accounting policies. The agreement is terminable by either party on 12 months' notice subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by the Company if it fails to become, or ceases to be, a VCT for tax purposes or where Unicorn AM ceases to be authorised by the Financial Services Authority or if there is a change in control of Unicorn AM. The agreement contains provisions indemnifying Unicorn AM against any liability not due to its default, gross negligence, fraud or breach of the Financial Services and Markets Act 2000.

6.1.2 A supplemental management agreement dated 20 January 2004 was entered into between the parties in relation to the S2 Share fund on the same terms and conditions as the original management agreement

6.1.3 A second supplemental management agreement dated 22 February 2007 was entered into between the parties in relation to the S3 Share fund on the same terms and conditions as the original management agreement

6.1.4 A performance incentive agreement dated 1 October 2001 between the Company (1), Unicorn AM (2) and Matrix-Securities Limited (3) pursuant to which Unicorn AM and Matrix-Securities Limited (the "Recipients") are entitled to receive performance related incentive fees subject to the Ordinary Share fund achieving certain defined targets

No incentive fee is payable until the Ordinary Share fund has provided a return to investors of 80p over the initial net asset value per Ordinary Share of which 60p per Ordinary Share must have been returned to investors by way of dividend.

The incentive fee is calculated as 20 per cent. of the amount by which the growth in net asset value exceeds an agreed benchmark. The agreed benchmark is the net asset value of 94.5p per Ordinary Share as increased in line with the base rate of National Westminster Bank plc averaged over a financial period plus 2 per cent per annum on a compound basis for each financial year.

The net asset value referred to above will be adjusted to reflect any change in capital structure.

The incentive fee is subject to a maximum payment in any year of 5 per cent. of the Company's net asset value attributable to the Ordinary Shares unless otherwise agreed by the Board's independent directors. Any balance unpaid will be carried forward and paid at the end of the following year or years. Interest will be added to any deferred payments calculated at the prevailing bank rate.

If a performance fee is paid in any year, the net asset value at the start of the following year will be rebased to exclude the performance fee paid in the previous year.

The incentive fee will be allocated 85 per cent. to Unicorn AM and 15 per cent. to Matrix-Securities Limited.

The agreement will terminate automatically if the Company enters into liquidation or if a receiver or manager is appointed or if a resolution is passed that the Company is voluntarily wound up in accordance with the Articles or the management agreement referred to at paragraph 6.1.1 is terminated.

6.1.5 A supplemental performance incentive agreement dated 20 January 2004 was entered into between the parties in relation to the S2 Share fund on the same basis as the original performance incentive agreement referred to in paragraph 6.1.4 above.

- 6.1.6 A second supplemental performance incentive agreement dated 19 February 2007 was entered into between the parties pursuant to which Unicorn AM is entitled to receive performance incentive fees in relation for the S3 Shares fund.

Unicorn AM will receive performance incentive fees of 20 per cent of any excess above 6p per S3 Share of the annual dividends paid to S3 Shareholders subject to the Company achieving an NAV per S3 Share of 100 pence or more as calculated in the annual report and accounts for the year relating to payment. Any cumulative shortfalls below the 6p per annum dividend hurdle after the financial period ending on 30 September 2010 will have to be made up in later years.

The second supplemental performance incentive agreement will terminate automatically if the Company enters into liquidation or if a receiver or manager is appointed or if a resolution is passed that the Company is voluntarily wound up in accordance with the Articles.

- 6.1.7 An agreement dated 1 October 2001 (as amended to take account of the S2 Shares and S3 Shares) between the Company (1) and Matrix-Securities Limited (2) pursuant to which Matrix-Securities Limited has agreed to provide secretarial services to Company for an initial period of 3 years and which is terminable by either party at any time thereafter by 12 months' notice subject to earlier termination by the Company in the event of Matrix-Securities Limited having a receiver, administrator or liquidator appointed or ceasing to or threatening to cease carrying on its business or have committed a serious breach of its obligations under this agreement and not remedying the breach within 90 days of being given notice by the Company. Under this agreement Matrix-Securities Limited will be entitled to an annual fee of 0.075 per cent. (plus VAT) of the aggregate amount raised by the Company pursuant to the issue of Shares (subject to a minimum annual fee of £10,500 plus VAT).

A deed of variation has been entered into between the parties in respect of the secretarial and accountancy services which provides (subject to the Merger becoming effective) to the Company (as set out above and at paragraph 6.1.8 below). This deed will provide for a new initial three year appointment term from the Effective Date, subject to 12 months' notice which may be given by either party after the second year. The annual fee for providing both secretarial and accountancy services will be amended to £144,500 (plus VAT) in respect of the period to the third anniversary of the date on which the Merger becomes effective and thereafter £137,500 plus VAT (the latter to be increased in the fourth anniversary of the Merger becoming effective, and every anniversary of the Merger becoming effective thereafter, by the annual percentage increase in the Retail Price Index for the preceding 12 months). This deed will only become effective if the Merger becomes effective.

- 6.1.8 An agreement dated 1 October 2001 (as amended to take account of the S2 Shares and S3 Shares) between the Company (1) and Matrix-Securities Limited (2) pursuant to which Matrix-Securities Limited has agreed to provide accounting services to the Company for an initial period of 3 years and which is terminable by either party at any time thereafter by 12 months' notice subject to earlier termination by the Company in the event of Matrix-Securities Limited having a receiver, administrator or liquidator appointed or ceasing to or threatening to cease carrying on its business or have committed a serious breach of its obligations under this agreement and it has not remedied the breach within 90 days of being given notice by the Company. Under this agreement Matrix-Securities Limited is entitled to annual fee of 0.175 per cent. of the aggregate amount raised by Company pursuant to the issue of Shares (subject to a minimum annual fee of £24,500 plus VAT).

As set out in paragraph 6.1.7 above this agreement has been varied by a deed of variation, subject to the Merger becoming effective

- 6.1.9 An agreement dated 28 January 2010 between the Company, the Directors, the Proposed Directors, Unicorn AM and Howard Kennedy pursuant to which Howard Kennedy will act as sponsor to the Company. Under the agreement, which may be terminated by Howard Kennedy in certain circumstances, certain warranties have been given by the Company, the Directors and Unicorn AM to Howard Kennedy. The Company has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. 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 Scheme becoming unconditional:

6.2.1 A transfer agreement between the Company and VCT II (acting through the Liquidators) pursuant to which all of the assets and liabilities of VCT II will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for New Ordinary Shares in accordance with Part IV 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 VCT II will be transferred on receipt to the Company as part of the Scheme. This agreement will be entered into as part of the Scheme.

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.

6.3 The following contracts will be entered into, subject to the approval by Shareholders of Resolution 4 to be proposed at the Extraordinary General Meeting and the Merger becoming effective:

6.3.1 A deed of variation between the Company (1) and Unicorn AM (2) to the management agreement referred to at paragraphs 6.1.1 to 6.1.3 above pursuant to which Unicorn AM's appointment will be subject to a new initial three year appointment term from the Effective Date of the Merger, subject to 12 months' notice which may be given by either party after the second year.

6.3.2 A deed of termination between the Company (1), Unicorn AM (2) and Matrix-Securities Limited (3) terminating the performance incentive agreements referred to at paragraph 6.1.4

6.3.3 A new performance incentive agreement between the Company (1) and Unicorn AM (2) whereby Unicorn AM will receive performance incentive fees in relation to the Enlarged Company effective from the accounting periods after 30 September 2010 (Unicorn AM having agreed to forego any incentive fee for the current year.

Unicorn AM will receive performance incentive fees of 20 per cent. of any excess of annual distributions above 6p per New Ordinary Share paid to Shareholders subject to the Company achieving an NAV per New Ordinary Share equal to or more than the opening NAV per New Ordinary Share immediately following the Merger, as calculated in the annual report and accounts for the year relating to payment. Any cumulative shortfalls below the 6p per annum dividend hurdle will have to be made up in later years. Such payment will continue to be subject to a NAV maintenance 'high-watermark test' but, in light of the Merger and the contribution Unicorn AM has agreed to make to the costs of the Merger, this will be rebased to the closing average NAV per New Ordinary Share equal to the NAV of a New Ordinary Share as at 30 September 2010 (i.e. the date from which the revised performance incentive fee will apply).

The agreement will terminate automatically if the Company enters into liquidation or if a receiver or manager is appointed or if a resolution is passed that the Company is voluntarily wound up in accordance with the Articles.

## 7. Related Party Transactions

Unicorn AM, under the arrangements set out at paragraphs 6.1.1 to 6.1.6, was paid £1,051,000, £686,000 and £503,000 (representing 140.9 per cent., 94.1 per cent. and 86.7 per cent. of the Company's income) in the years ended 30 September 2007, 2008 and 2009 respectively. Matrix-Securities Limited, under the arrangements set out at paragraph 6.1.7, was paid £178,000, £193,000 and £195,000 (representing 23.8 per cent., 26.5 per cent. and 33.6 per cent. of the Company's income) in the years ended 30 September 2007, 2008 and 2009 respectively. Fees paid to Directors, as detailed in paragraph 4.5 above, were £52,500, £52,500 and £63,164 (representing 7.0 per cent., 7.2 per cent. and 10.9 per cent. of the Company's income) in the years ended 30 September 2007, 2008 and 2009 respectively. Save for the fees as set out in this paragraph 7, there were no related party transactions or fees paid during the years ended 30 September 2007, 2008 and 2009 or to date in the current financial year.

## **8. Payment of trail commission by the Enlarged Company**

- 8.1 At the time of launch, each of the share classes within both companies undertook to pay trail commission up to cumulative maximum limits ranging from 2.25% to 4.5% of the original offer price of each share class when launched. None of the share classes has as yet reached their maximum percentage. All five classes of shares across both companies are at different stages of reaching their particular maximum. The merger of all five share classes means that it will no longer be possible to measure attainment of the particular maximum attributable to an individual share class.
- 8.2 The Board is mindful of the need to be fair to all intermediaries whose clients still hold shares since their original issue. Accordingly, the Board has agreed that the administrator will obtain the latest number of shares in each class that still rank for trail commission, prior to the Merger. The weighted average of the maximum limit for each share class, and the weighted average of the percentage of attaining each share class's maximum limit, will be calculated, to produce one revised maximum limit and one value for the percentage of this maximum limit that has been achieved to date. A new single register will be created, to record the new number of shares that still rank as eligible for trail commission, and trail commission will then be paid to the intermediary representing those shares in the normal manner, up to the revised weighted average limits calculated just before the Merger. It is expected that this revised arrangement will apply for the year ending 30 September 2010.
- 8.3 For the Company, trail commission for the year ended 30 September 2009 will be paid once the accounts have been approved. For VCT II, trail commission will be similarly paid, based upon the unaudited net asset value at 31 December 2009.

## **9. Taxation**

- 9.1 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.
- 9.2 Taxation of dividends – under current law, no tax will be withheld by the Company when it pays a dividend.
- 9.3 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 Ordinary Shares to be issued pursuant to the Merger. The Company has been advised that the transfer of New Ordinary 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 Ordinary Shares if not completed by a duly stamped stock transfer will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid.
- 9.4 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.

## **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 28 January 2010 (the latest practicable date prior to 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, extracted from Part IV of this document as at 30 September 2009, is set out below. There has been no material change in the capitalisation of the Company between 30 September 2009, the date of the Company's last published financial information and 28 January 2010, the latest practicable date before the date of publication of this document.

<b>Shareholders' Equity</b>	<b>£'000</b>
Called-up Share Capital	498
Share premium account	840
Other reserve	30,800
<b>Total</b>	<b>32,138</b>

#### Other

- 10.4 Other than the costs of the Merger, the acquisition is not expected to have a material effect on the levels of revenue and losses to be incurred by the Company relative to its enlarged asset base had the acquisition occurred on 30 September 2009.
- 10.5 The Company has not at any time in the 12 months immediately preceding the date of this document, been engaged in any governmental, legal or arbitration proceedings, and the Company and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.
- 10.6 There has been no significant change in the financial or trading position of the Company since 30 September 2009, the date to which the last audited financial statements have been published, to the date of this document.
- 10.7 Since launch the Company paid in dividends totaling 42p per Ordinary Share, 18.75p per S2 Share and 1p per S3 Share. The Company has also declared the Dividends, which will be paid on the Dividend Payment Date.
- 10.8 There have been no important events so far as the Company and the 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 are aware.
- 10.10 There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material affect on the Company's prospects for at least the current financial year, so far as the Company and the Directors are aware.
- 10.11 Scott-Moncrieff (a member of the Institute of Chartered Accountants) has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part V of this document in the form and context in which it is included and has authorised the contents of its report for the purposes of Rule 5.5.3(2)(f) of the Prospectus Rules.
- 10.12 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.
- 10.13 The costs and expenses of the Merger payable by the Company, including any irrecoverable value added tax and all fees and commissions payable are estimated to be £172,143 inclusive of VAT but net of the £100,000 contribution from Unicorn AM. Whilst the Roll-Over Value and Merger Value take into account anticipated costs to be incurred by them respectively in relation to the Merger and an amount of contingency in relation to the Company providing an indemnity to the Liquidators in respect of VCT II liabilities and expenses, under the terms of the Transfer Agreement the Company has agreed to meet all the costs of VCT II in relation to the Merger and of winding up VCT II whether or not so anticipated.
- 10.14 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.

- 10.15 The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policies in this document. There are no firm commitments in respect of the Company's principal future investments.
- 10.16 Save as set out in paragraph 3 above, 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 be at a subsequent date result in a change of control of the Company.
- 10.17 PKF (UK) LLP (a member of the Institute of Chartered Accountants in England and Wales), have been auditors of the Company since launch.
- 10.18 The Company has no employees or subsidiaries.
- 10.19 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.
- 10.20 The Company does not have any material shareholders with different voting rights.
- 10.21 Application has been made for the admission of the New Ordinary Shares to be issued under the Scheme to be listed on the Official List and application will be made for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. A Regulatory Information Service announcement will be made following the Calculation Date stating the number of such New Ordinary Shares to be issued. Dealings may not commence in the New Ordinary Shares issued pursuant to the Scheme before notification of the number of New Ordinary Shares to be issued is given. If Shares are currently held in uncertificated form (that is in CREST) New Ordinary Shares will also be credited to Shareholders' CREST accounts. If, following issue, recipients of certificated New Ordinary Shares pursuant to the Scheme should wish to hold their New Ordinary Shares in uncertificated form they should contact their broker or independent financial advisor.
- 10.22 The Company is subject to the investment restrictions relating to a venture capital trust in ITA 2007, as more particularly detailed in Part VIII of this document, and in the Listing Rules which specify that (i) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy as set out in page 26 of this document; (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and (iii) the Company may not invest more than 10 per cent., in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds. Any material change to the investment policy of the Company will require the approval of Shareholders pursuant to the Listing Rules. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust and accordingly:
- 10.22.1 the Company's income is intended to be derived wholly or mainly from shares or other securities, as this phrase is interpreted by HMRC;
- 10.22.2 the Company will not control the companies in which it invests in such a way as to render them subsidiary undertakings;
- 10.22.3 none of the investments at the time of acquisition will represent more than 15 per cent. by VCT Value of the Company's investments; and
- 10.22.4 not more than 20 per cent. of the Company's gross assets will at any time be invested in the securities of property companies.
- 10.23 The Company and its Shareholders are subject to the provisions of the Takeover Code and the Companies Acts, which require shares to be acquired/transferred in certain circumstances.
- 10.24 Had the Scheme been implemented on 31 December 2009, 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 VCT II as at that day, 27,477,156 New Ordinary Shares would have been issued to VCT II shareholders representing 44.2 per cent. of the issued Share capital of the Company (presuming the Share Consolidation had also occurred on that day prior to the Scheme being implemented).

## **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 Martineau, New Bridge Street, London EC4V 6BW 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 30 September 2007, 2008 and 2009;
- 11.3 the audited report and accounts of VCT II for the three financial years ended 31 December 2006, 2007 and 2008 and the half-yearly report of VCT II for the six month period ended 30 June 2009;
- 11.4 the material contracts referred to in paragraph 6 above;
- 11.5 the Directors' appointment letters;
- 11.6 a draft (subject to non-material updating and amendment) of the Transfer Agreement;
- 11.7 the consents referred to in paragraphs 10.11 and 10.12 above;
- 11.8 the circular to Shareholders dated 29 January 2010;
- 11.9 the VCT II Circular dated 29 January 2010;
- 11.10 the pro forma financial information together with a report from Scott-Moncrieff thereon set out in Part V of this document; and
- 11.11 this document.

29 January 2010



