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Tax Efficient Review

Venture Capital Trusts

Generalist
Albion VCT Linked offer
Matrix VCT Linked offer

Planned Exit
Edge Performance VCT G share
Ingenious Entertainment VCT 1 & 2 E & F shares
Triple Point VCT 2011

AIM based
Hargreave Hale VCT 1 & VCT 2 Joint Offer

Clean/Green VCT
Ingenious Solar VCT 1 & 2

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RISK WARNINGS

RISK WARNINGS AND DISCLAIMERS

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Fluctuations in Value of-Investments

The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

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The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.

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Past performance is not a guide to future performance.

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Changes in legislation may adversely affect the value of the investments.

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The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

ADDITIONAL RISK WARNINGS

Venture Capital Trusts

(a) An investment in a VCT carries a higher risk than many other forms of investment.
(b) A VCT's shares, although listed, are likely to be difficult to realise.
(c) You should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objectives and policy and the five year period for which shareholders must hold their ordinary shares to retain their initial income tax reliefs.
(d) The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may therefore be difficult to realise and investments in such companies are substantially riskier than those in larger companies.
(e) If a VCT loses its Inland Revenue approval tax reliefs previously obtained may be lost.

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74	Matrix VCTs linked offer	£21m	5 April 2011 30 April 2011	28/30	30/40	17/20	8/10	83/100

Open AIM VCTs

Reviewed in Issue	Fund	Seeking	Closing Date 2010/11 2011/12	Strategy	Track Record	Deal Flow	Costs	TOTAL
74	Hargreave Hale VCT 1 & VCT 2 Joint £20m Offer	£10m	18 March 2011	29/30	30/40	18/20	8/10	85/100
	Octopus AIM VCT ord shares	£10m	5 April 2011 30 April 2011		To be reviewed			
	Octopus Second AIM VCT ord shares	£10m	5 April 2011 30 April 2011		To be reviewed			

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74	Edge Performance G share offer	£30m	5 April 2011 30 June 2011	27/30	31/40	18/20	8/10	84/100
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73	Foresight Solar VCT	£40m	5 April 2011 30 June 2011	In our view the Foresight Solar VCT could prove attractive to investors looking for capital preservation, regular income with an exit strategy and a diversified exposure to solar investing in the UK and Europe.	87/100
74	Ingenious Solar VCT 1 & 2	£30m	5 April 2011 29 July 2011	The combination of the in-depth investment, financing, consulting and operational management experience of the Manager's team and the sector knowledge and expertise of the Investment Adviser should be of significant benefit to the VCTs.	84/100

Forthcoming Venture Capital Trusts

Forthcoming Generalist VCTs

Fund	Seeking	Launch date
British Smaller Companies VCT 1 & 2 Linked offer	£15m	December
Downing Absolute Income VCT 1 C share	£20m	December
Northern Venture Trust - further issue of Ords	£15m	December
Octopus Titan VCT 5	£30m	December
ProVen Growth & Income VCT O share class	£15m	December

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Fund	Seeking	Launch date
Foresight 3 & 4 VCT Linked Offer	£20m	January

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Amati VCT ordinary share further offer	£18m	December
Baronsmead AIM VCT	£20m	February

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Puma VCT VII	£30m	December
ProVen Planned Exit VCT	£20m	December
Downing Planned Exit VCT 2011 Structured Class	£10m	December
Edge Encore VCT	£10m	December
Downing Planned Exit VCT 2011 General Class	£10m	December
Future Capital Partners VCT	£20m	December

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Fund	Seeking	Launch date
Downing Planned Exit VCT 2011 Low Carbon Class	£20m	December
Hazel Renewable Energy VCT 1 & 2	£40m	January

How do we compile the Venture Capital Trust Ranking Tables

RANKING GUIDE The Ranking Table is an attempt to rank the open VCTs against a number of criteria that we consider important with different weightings attached to each of four criteria. The usefulness of the table is in ranking one VCT over another and the actual score in the Total column is not an absolute indicator showing a cutoff point below which an investor should not invest.

Our rating is made up of four components

Strategy (rated out of 30) We look here at which areas will be targeted for investment and the split between unquoted and AIM. We also examine where the uninvested funds will be placed, both during the first three year period and longterm. There is a trend as fund management groups enter the VCT market for them to place funds into their own unit trusts and openended investment trusts. Some form of buyback policy is essential in our view to manage the aftermarket and help keep discounts down. We award a higher score where there is a statement in the prospectus about the level of discount that the VCT is aiming to achieve (the norm at present is 10%).

Track record (rated out of 40) This is the most important area in our view although past performance is no guide to the future. We examine the track record and its applicability to the VCT. We look at the investment process being employed by the manager and we look at the team composition as well as the makeup of the board of directors.

Deal flow (rated out of 20) Here we look at where deals will be sourced from, how many deals the team have done over the last few years and relate that going rate to the VCT size. This is to check that the team has enough spare capacity to take on the amount of money being raised and invest it within the three year period allowed under VCT rules.

Following our research into VCT manager team composition we also look at how the team is structured and how it is resourced versus the number of unquoted deals (if applicable) that it needs to make.

Costs (rated out of 10) Here we rate the initial costs (average is 5% including commission to introducers), the annual running costs (usually capped at 3.5% but at full subscription the figure should be lower) and the performance incentive. The incentive is an extremely complicated area as all VCTs use different approaches to calculating this.

VCT managers are starting to award themselves a coinvestment right alongside the VCT in certain deals where "sweet equity" is available. "Sweet Equity" is equity that is highly leveraged. The Tax Efficient Review position on the coinvestment issue is that whilst we accept that the dilution can be relatively minor over say a ten year period and that there could be a positive effect on recruitment and retaining of investment executives, we see VCT fund managers as adequately remunerated without such a scheme in operation and we regret the move of certain members of the industry to dilute shareholder earnings in this way.

Albion VCTs linked offer

Type	Generalist
Size	£15m
Manager	Albion Ventures LLP
Sponsor	Not applicable
Promoter	RAM Capital
Focus	57% asset backed companies, 25% higher growth businesses, 18% cash
Minimum investment	£10,000
Minimum for VCT to proceed	Nil
Closes	5 April 2011/30 April 2011
Commission	3% or 2.5% plus trail of 0.25% of net asset value for 4 years

Strategy The Manager of the VCTs, Albion Ventures LLP, was formed in January 2009 by the executive directors of Close Ventures Limited when they bought the business, which was founded in 1996, within Close Brothers Group plc. The team, the investment approach of Albion Ventures, and the investment policy of the Company, remain unchanged. The VCTs were renamed "Albion" and Albion Ventures is now seeking to raise £15m through the Albion Linked Top-up Offer.

Under the linked offer, an individual's investment will be spread across seven of Albion's VCTs. This will provide the opportunity to invest in a £200 million pool of funds, comprising around 55 unquoted company investments; approximately 57% of the portfolio is in asset-based businesses, 25% in growth companies, including technology, and 18% in cash. Investors will get an immediate tax free dividend yield of approximately 5%, with dividends payable monthly, on the last day of the month by bank transfer. An investor will have 15% of his subscription invested in each of 6 VCTs, with the remaining of 10% in the Albion Prime VCT.

The VCTs are managed by Patrick Reeve (founder and Managing Partner) and his team. Their aim is to provide investors with a regular and predictable source of income, combined with the prospect of longer term capital growth. The Company intends to achieve this by balancing the defensive characteristics of property backing with an exposure to high growth sectors, including technology. It is the VCTs' policy for Investee Companies not to have any external bank borrowing with a charge or security ranking ahead of the Company.

Up to two-thirds of the VCTs' qualifying assets by cost comprise loan stock secured

Table 1: Albion VCTs Portfolio constituents as at 30 September 2010
Source: Albion Ventures LLP

Portion of fund	% of funds when fully invested	Characteristics	Sectors targeted
Lower Risk Portfolio	57%	- Income generating- often asset-backed companies with a high proportion of secured loan stock	- Leisure - Business services - Healthcare - Renewable energy - Education
Growth Portfolio	25%	- Capital Growth - Higher risk unquoted companies	- Support services - Software - Computer - Pharmaceutical - Healthcare
Cash	189%	- Security and liquidity	- Cash on deposit - Floating Rate Notes or equivalents with Moody rating of at least A

Table 2: Funds under management- Albion Ventures Data source Patrick Reeve September 2010		
	Net assets £m	Still to be invested to meet 80% Board set minimum investment level £m
Albion Venture Capital Trust	28	Nil
Albion Development VCT	29	3
Albion Prime VCT	15	Nil
Albion Technology & General VCT	36	Nil
Albion Income & Growth VCT	29	Nil
Crown Place VCT (was Murray VCT, Murray VCT 2 and Murray VCT 3)	24	Nil
Albion Enterprise VCT	27	7
Non VCT funds that can not co-invest	5	-
TOTAL	**£193m**	**£10m**

with a first charge on the investee company's assets.

Funds awaiting investment will be held in an Albion Venture Capital Trust trust account at Lloyds Bank prior to being placed on deposit or in Floating Rate Notes or equivalent in institutions with Moody rating of A or above chosen by Patrick Reeve.

Early investors subscribing in total the first £2.5m before 7 January 2011 will receive an extra 1% of shares. This extra allocation will be funded by the Manager rather than by the VCTs.

Tax Efficient Review Strategy rating: 29 out of 30

Track record

Albion Ventures manages the following VCTs: Albion Venture Capital Trust (was Close Brothers Venture Capital Trust), Albion Prime VCT (was Close Brothers Protected VCT), Albion Enterprise VCT (was Close Enterprise VCT), Albion Development VCT (was Close Brothers Development VCT), Albion Technology & General VCT (was Close Technology & General VCT), Albion Income & Growth VCT (was Close Income & Growth VCT) and Crown Place VCT (formed by the merging of three Murray VCTs which changed their manager from Aberdeen Asset Management in mid 2005).

Their different investment strategies are as follows:

(i) Purely asset based investment policy – this applies to Albion Venture Capital Trust and Albion Prime VCT; both were raised before the rules changed in 1997 and invest predominantly in hotels, care homes, (both of which are no longer allowed for new VCTs) along with other sectors such as health and fitness, cinemas, pubs and renewable energy.

(ii) Generalist investment policy - this applies to Albion Development VCT, Albion Technology & General VCT, Albion Income & Growth VCT, and Albion Enterprise VCT. In these cases, approximately 50% of funds are invested in asset based investments as above, (but not in care homes or hotels) in order to provide a stable level of income and asset backing to the portfolio, with a balance in growth opportunities, which includes technology.

(iii) An amalgam of (i) and (ii) above – this applies to Crown Place VCT, one of whose original constituent funds was raised before the VCT rules changed in July 2007.

The management team, who will invest not less than £100,000 under the linked offer taking their aggregate investment in Albion VCTs to over £1.2 million comprises (see Table 3 for break down of individual responsibilities):

Patrick Reeve (50) MA ACA, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Albion Ventures' (then Close Ventures Limited) activities with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. Patrick became managing partner of Albion Ventures in 2009. He read modern languages at Oxford University. He is a director of Albion Technology & General VCT PLC, Albion Income & Growth VCT PLC, Albion Prime VCT PLC, Albion Enterprise VCT PLC and Healthcare and Leisure Property Fund PLC, all managed or advised by Albion Ventures LLP. Patrick is a member of the BVCA Council.

Will Fraser-Allen (40), BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 and then joined their Corporate Finance Team providing corporate finance advice to small and medium sized businesses. He joined Albion Ventures in 2001 since when he has focused on leisure and healthcare investing. Will became deputy managing partner of Albion Ventures in 2009. Will has a BA in History from Southampton University.

Isabel Dolan (45), BSc (Hons), ACA, MBA, qualified as a chartered accountant with Moore Stephens. From 1993 to 1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997 to 2001 she was at 3i plc, latterly as a portfolio director. She joined Albion Ventures in 2005, having previously been finance director for a number of unquoted companies. Isabel became operations partner at Albion Ventures in 2009. She has a BSc in Biochemistry with Pharmacology from Southampton University and an MBA from London Business School.

Dr Andrew Elder (40), MA, FRCS, joined Albion Ventures in 2005 and became a partner in 2009. He initially practised as a surgeon for six years, specialising in neurosurgery, before joining the Boston Consulting Group (BCG) as a consultant in 2001. Whilst at BCG he specialised in healthcare strategy, gaining experience with many large, global clients across the full spectrum of healthcare including biotechnology, pharmaceuticals, service and care providers, software and telecommunications. He has an MA plus Bachelors of Medicine and Surgery from Cambridge University and is a Fellow of the Royal College of Surgeons (England).

Emil Gigov (40), BA (Hons), ACA, graduated from the European Business School, London, with a BA (Hons) Degree in European Business Administration in 1994. He then joined KPMG in their financial services division and qualified as a chartered accountant in 1997. Following this he transferred to KPMG Corporate Finance where he specialised in the leisure, media and marketing services sectors acting on acquisitions, disposals and fundraising mandates. He joined Albion Ventures in 2000 and has since made and exited investments in a number of industry sectors, including healthcare, education, technology, leisure and engineering. Emil became a partner in Albion Ventures in 2009.

David Gudgin (38), BSc (Hons), ACMA, qualified as a management accountant with ICL before spending 3 years at the BBC. In 1999 he joined 3i plc as an investor in European technology based in London and Amsterdam. In 2002 he moved to Foursome Investments (now Frog Capital) as the lead investor of an environmental technology and a later stage development capital fund. David joined Albion Ventures in 2005 and became a partner in Albion Ventures in 2009. David has a BSc in Economics from Warwick University.

Table 3: Matrix of individual responsibilities - ALBION VENTURES Data source Patrick Reeve September 2010										
	Patrick Reeve	Robert Whitby Smith	Henry Stanford	Emil Gigov	Will Fraser-Allen	Ed Lascelles	David Gudgin	Andrew Elder	Mike Kaplan	Marco Yu
VCT RELATED WORK										
Deal origination %	10%	25%	15%	30%	20%	25%	20%	25%	25%	25%
General enquiries %	5%	15%	5%	5%	5%	15%	15%	15%	15%	15%
New deal doing %	5%	40%	25%	15%	25%	10%	30%	40%	40%	40%
Investee board seats No.	0	3	16	3	8	3	8	6	2	1
Sitting on Boards/Monitoring %	0%	20%	50%	50%	35%	50%	25%	20%	20%	20%
Fund raising %	25%	-	-	-	15%	-	10%	-	-	-
Internal issues %	25%	-	-	-	-	-	-	-	-	-
Exits %	-	-	-	-	-	-	-	-	-	-
NON VCT WORK										
Non-VCT work %	30%	-	5%	-	-	-	-	-	-	-
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Years in venture capital	18	6	12	10	9	6	11	5	4	3
Years involved with VCTs	15	6	12	10	9	6	6	5	4	3
Years with current team	15	6	12	10	9	6	6	5	4	3

Michael Kaplan (33), BA, MBA. Prior to joining Albion Ventures in 2007, Michael was a Project Leader with the Boston Consulting Group (BCG) where he focused on the retail and financial services sectors. More recently, Michael was part of BCG's growing Private Equity practice – which provides strategic due diligence to some of the world's biggest PE funds. Prior to his time with BCG, Michael was the Chief Financial Officer for Widevine Technologies, a security software company based in Seattle. Michael has a BA from the University of Washington and an MBA from INSEAD. He became a partner in Albion Ventures in 2010.

Ed Lascelles (34), BA (Hons), joined Albion Ventures in 2004. He previously worked for ING Barings in the corporate finance department, focusing on smaller UK companies. Prior to ING Barings, Ed worked in the corporate broking department of Charterhouse Securities where he assisted in equity fundraisings and other corporate transactions for quoted UK companies. Ed graduated from UCL with a first class degree in philosophy. He became a partner in Albion Ventures in 2009.

Henry Stanford (45), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group in 1992, becoming an assistant director in 1996. He moved to Albion Ventures in 1998. Henry became a partner in Albion Ventures in 2009. He holds an MA degree in Classics from Oxford University.

Robert Whitby-Smith (35), BA (Hons), MSI, ACA. After graduating in History at Reading University, Robert qualified as a chartered accountant at KPMG and subsequently worked in corporate finance at Credit Suisse First Boston and ING Barings. Since joining in 2005, Robert has assisted in the workout of three VCT portfolios (Murray VCT PLC, Murray VCT 2 PLC and Murray VCT 3 PLC now renamed Crown Place VCT PLC) formerly managed by Aberdeen Murray Johnson, and is responsible for investments in the leisure, manufacturing and technology sectors. Robert became a partner in Albion Ventures in 2009.

Marco Yu (32), MPhil, MA, MRICS, spent two and a half years at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. He joined Albion Ventures in 2007 and became an investment manager in Albion Ventures in 2009. Marco graduated from Cambridge University with a first class degree in economics and is a Chartered Surveyor.

Patrick Reeve told us that in building up the team his approach is generally “not to recruit people from within the Venture Capital industry, who have their own fixed ideas on how things should be done, but to seek strong intellects from outside who can have fresh ideas.”

The track record of the VCTs managed by Albion Ventures is good (see Table 5). The annual Internal Rate of Return taking into account the initial tax relief varies from [3.2%] to [8.9%] and of the [eleven] fund raisings over al the VCTs, Albion were [first] in their category [three] times and [second] [three] times.

Overall Albion Ventures have a policy of aiming to make regular dividend payments. Over the last two years the average annual dividend paid (pence per share) has been 7.5p for Albion Venture Capital Trust, 3.25p for Albion Prime VCT, 8p for Albion Development VCT, 8p for Albion Technology & General VCT (Ords) 2.75 (C Shares), 3.25p for Albion Income & Growth VCT, 2.5p for Crown Place VCT and 1.85p for Albion Enterprise VCT PLC. Albion VCTs have now paid out over £92 million in dividends and £28 million in share buy-backs, more than any other manager.

The VCTs managed by Albion Ventures have a policy of buying back their shares in the market for cancellation, known as a ‘buy-back policy’. In general it is the VCTs’ intention that the discount to net asset value at which shares are bought back by the Company at around 10-15%.

All VCTs have stated that their TERs cannot exceed 3.5%.

The Manager acts on a discretionary basis. Each investment is subject to approval of an investment committee which comprises investment professionals from the Manager and external investment professionals. The Board does not play a role in selecting or approving investments – its task is to monitor the performance of the Manager

Tax Efficient Review Track Record rating: 30 out of 40

Deal Flow

Albion’s deal flow comes from brokers, personal contacts of the board and investment team and accountants. In the year to 30 September 2010, Albion invested £21.3 million in 20 companies, of which £15.4 million was in four new investee companies. In none of the latter was Albion competing with any other source of venture capital finance.

Not only must an investment manager obtain deal flow but it must have a team resourced to invest at the correct rate to satisfy the VCT rules. The 70% investment rule requires that by the end of the third accounting period after launch and in every accounting period thereafter the VCT must have at least 70% of its funds invested in qualifying holdings. Most Boards impose a minimum level that is higher than this to ensure that any exits do not push the VCT below the 70% level. In this case Albion Ventures tell us that the Board minimum requirement is 80%.

To meet this test requires the investment team to source and complete enough qualifying deals. Should this not occur then VCT managers have agreed with HMRC that an investment in a so called "Acquisition Vehicle" will be counted towards the 70% rule as long as the "Acquisition Vehicle" is actively seeking opportunities to invest and invests at least 90% of its share capital within 24 months. This is a very useful escape route for VCTs as the other alternative is losing VCT status which will involve investors having their tax relief clawed back.

Albion tell us that they have only used such a vehicle once across all the VCTs they manager and that was to secure a development site that was going through the planning process.

Meeting the investment challenge is in our view dependent on: the size of the team handling deal origination and completion, the average deal size and the number of deals an individual can complete in a year.

The size of the challenge for an investment team depends on: funds already raised and requiring investing, forthcoming exits that will require re-investing and the impact of new funds being raised.

So how does Albion Ventures fare?

The Albion Ventures VCT team numbers ten investment professionals with an office in London. Table 3 shows the team members and where they spend their time. In terms of investing the team is equivalent to 5.05 full-time individuals (the sum of rows "Deal origination" and "New deal doing").

The funds still awaiting investment to meet Board set targets of 80% total £10m (see Table 2 for breakdown) which needs to be invested over the next 12 months.

Assuming the current offering raises its full subscription of £12.5m, this would add another £10m (80% of £12.5m) or £3.3m per annum over three years.

We would normally assume that on average 20% of the VCT unquoted portfolios need to be re-invested each year following realisations (based on the average time to exit from Table 4 of 4.04 years rounded up to five years). However we recognise that the next two to three years look as if they will see less exit activity in the private equity arena and so assume a lower rate of reinvestment of only 10% per annum and this would add roughly another £15m (total funds under management is £193m, 80% being the investment level required gives £155m and 10% of that is £15.5m). The figure could be lower than this as some of the exit value will be profit which will be paid out as dividends.

So the annual amount that we think the team could under our assumptions need to invest is £29m (£10m from funds awaiting investment, £3.3m from this fund raising and reinvestment of exits at £15.5m per year).

Based on industry averages, our view is that each investment team member can transact around three deals per year. The average deal size of Albion deals is £3.3m (source Albion Ventures).

On our assumptions this activity converts to a potential annual investing rate for the team of about £50m (5.05 man years times three deals per year times average deal size of £3.3m).

This compares favourably to our computed annual investment requirement of £29m.

Dividend yield

Based on the published target dividend levels for the VCTs, an investor in the linked offer will get a yield of 5.3%. This is less than the yield would have been if the average dividends for the last 2 years for each VCT had been maintained, of 6.3%. The decrease is due to the ending of the distribution of substantial stores of realised capital profits accumulated over the years by Albion Venture Capital Trust and Albion Development VCT. The Albion VCTs have sufficient cash and reserves to maintain the target yield for at least the next three years.

To cover dividend payments, VCTs have to create income if they are not to dip into special reserves (the share premium account which most VCTs with Court approval convert into a distributable special reserve) which is of course a form of return of capital. We think a useful check on this area is the ratio of Gross Income to Net Asset Value. If this is lower than the dividend payments then the VCT is not receiving cash flow from interest earned on uninvested funds and loan stock and is possibly returning capital.

In the case of the Albion VCTs, the structuring of investments with the use of secured loan stock enables the VCTs to generate more revenue income than, say, other VCTs which use external gearing. In addition, however, dividends can also clearly come from realised capital profits, and many VCT managers have regard to a “total return” of longer term performance when setting their dividend policy.

Tax Efficient Review Team rating: 17 out of 20

Costs

Initial costs are 5.5% including commission of either 3% with no trail to introducers or 2.5% plus trail commission annually for 4 years at 0.25% of the amount subscribed.

Unlike a number of VCT managers, the manager does not co-invest with the VCT’s investee companies in order to avoid conflicts of interest. A variety of performance incentives are in operation across the VCT portfolio: they all have a 20% share of excess profits above the hurdle rate, other than Albion VCT which has an 8% share and Albion Prime VCT which has a 10% share. Hurdle rates for the manager comprise the excess of the total return in any financial year over annualised growth; they vary from 5% for Albion VCT and Albion Prime VCT to 6.5%, for Albion Development VCT, base rate plus 2% for Crown Place VCT and Albion Enterprise VCT and 8% for Albion Technology & General VCT and Albion Income & Growth VCT.

Annual management fees comprise 1.75% for Crown Place VCT, 1.8% for Albion Prime VCT, 2% for Albion Venture Capital Trust, 2.25% for Albion Development VCT and 2.5% for Albion Technology & General VCT, Albion Income & Growth VCT and Albion Enterprise VCT.

All of Albion VCTs operate a TER cap of 3.5%.

The Manager is also entitled to an arrangement fee, payable by each Investee Company, of approximately 2% on each investment made and is entitled to any non-executive director fees in respect of the Manager’s representation on the boards of Investee Companies.

Tax Efficient Review cost rating: 8 out of 10

Conclusion

An unusual offer which is a top-up to seven VCTs managed by Albion Ventures. The aim of the offer is to provide investors with a regular and predictable source of income, combined with the prospect of longer term capital growth and the use of seven VCTs, whilst increasing the paper work, should mean investors could receive monthly dividend payments. No other VCT offers this arrangement.

The Company intends to achieve this by investing up to 50 per cent. of the net funds raised under the Offer in lower risk, asset-based businesses, principally operating in the leisure sector and related areas. The balance of the net funds raised will be invested in higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to higher risk technology companies.

The VCT’s policy, over the medium term, is to create a strong and predictable dividend stream by supplementing dividends derived from investment income with distributions from realised capital profits to smooth the dividend flow.

The track record of previous Albion managed generalist VCTs is good and this will help make this a popular offering with investors and advisers.

Tax Efficient Review rating: 84 out of 100

Table 4: Exits achieved in the last 3 years by Albion Ventures Data Patrick Reeve September 2010							
Company	Activity	Date of investment	Date of exit	Total invested £000	Interest received £000	Exit value£000	IRR
Automotive Technik (Holdings) Limited	Military Vehicles	Jul-02	Apr-05	3,050	345	8,795	75.2%
Cassium Technologies Limited	Software	Jul-02	May-05	625	38	1,414	40.2%
Premier VCT (Mailbox) Limited	Hotels	Dec 99	Jan 07	4,600	2,466	7,682	19.3%
Applecroft Care Home Limited	Care homes	Aug 03	April 06	3,850	583	4,750	17.3%
Barleycroft Care Home Limited	Care homes	Oct 03	Apr-06	4,550	874	5,794	22.3%
Careforce Group plc	Healthcare services	Jul-00	Apr-07	3,337	1,530	6,522	30.9%
The Bold Pub Company Limited	Pubs	Feb-04	Jul-07	6,350	1,759	9,114	23.4%
Grosvenor Health Limited	Healthcare services	March 04	May 08	4,736	820	11,161	35.1%
RFI Global Services Limited	Testing service	Jan 06	June 10	2,440	504	4,029	17.0%
Chase Midland Limited	Residential property development	April 1997	August 2010	2,100	1,685	2,055	10.6%
Riverbourne Health Club Limited (permanent diminution in value)	Health club	Mar 07	Mar 10	945	342	135	-
Green Energy Property Services Limited (permanent diminution in value)	Provider of energy performance certificates	May 08	July 10	2,219	16	220	-
FlexNlok Limited (permanent diminution in value)	Medical appliances	June 06	Oct 09	110	-	-	-
Total				**£38.912m**	**£10.962m**	**£61.592m**	
Source: Albion Ventures							

The directors of the Albion VCTs, who will in aggregate be investing in excess of £115,000 in the linked offer are:

Geoffrey Vero (63), FCA, Chairman Albion Development VCT PLC, has spent much of his career in venture capital, serving as a director of Causeway Capital Limited and ABN Amro Private Equity (UK) Limited which invested in small and medium sized unquoted businesses. He is a non-executive director of Crown Place VCT PLC (a venture capital trust managed by Albion Ventures LLP) and Numis Corporation Plc, and non-executive Chairman of EPE Special Opportunities Plc.

David Pinckney (69), FCA, MA, Chairman of the Audit Committee Albion Development VCT PLC, was with Peat Marwick Mitchell & Co. (now KPMG) in London from 1963 to 1968, and from 1969 to 1983 in France. He became a partner in 1975 and Senior Audit Partner in 1978. He was then Managing Director of Wrightson Wood Financial Services Limited, where his work involved the provision of advice to companies seeking venture capital. In 1987 he joined Thornton Management Limited, an international equity fund management group with a proportion of funds invested in smaller unquoted companies, first as Group Finance Director and subsequently as Joint Managing Director. From 1998 he was Chief Operating Officer – Far East, and then Vice Chairman, of AXA Investment Managers, the investment management arm of the AXA Group until he retired in December 2003. He is Chairman of Rutley European Property Limited, the AIM quoted Syndicate Asset Management PLC, Ventus VCT PLC and Ventus 3 VCT PLC.

Jonathan Thornton (63), MA, MBA, FCA, Albion Development VCT PLC, has extensive experience in the management of unquoted investments. He was a director of Close Brothers Group plc from 1984 to 1998 and was responsible for establishing Close Brothers Private Equity LLP, the private equity fund management arm of Close Brothers Group plc. Prior to this he worked for 3i plc and Cinven (two of the largest UK investors in unquoted companies). Over the past 25 years he has been a non-executive director of a number of smaller unquoted companies which have raised institutional capital, and is a member of the Albion Ventures LLP Investment Committee.

Andrew Phillipps (41), PhD, MBA, Albion Development VCT PLC. After being awarded an honorary fellowship in materials science at Cambridge, he worked at Cookson Group and BOC Group in product development, before co-founding Active Hotels, an online hotels reservation business in 1999. As Chief Executive, he grew the business to become a European market leader, before selling it to Priceline Inc. for $161 million in 2004. He is currently an investor in, and director of, a number of private companies.

Maxwell Packe (65) FCA, Chairman Albion Enterprise VCT PLC is also director of Schroder UK Mid & Small Cap Fund plc, chairman of Kelvin Hughes Limited and chairman of Green Energy Property Services Group Limited (a company in which Albion Enterprise VCT PLC has invested). Since 1996 he has been chairman of a number of private equity-backed companies with successful trade sales, including Crestacare PLC, Corgi Classics Limited and Paragon Book Services Limited. Previously he was founder and chief executive of Household Mortgage Corporation PLC from 1986 until its sale in 1996 to Abbey National Plc. Mr Packe was previously chairman of Murray VCT 2 PLC (which subsequently merged with Murray VCT PLC and Murray VCT 3 PLC and was renamed Crown Place VCT PLC).

Lord St. John of Bletso (53), Chairman of the Audit Committee Albion Enterprise VCT PLC is a qualified solicitor and chairman of Spiritel plc, a telecommunication services and solutions provider. He acts as a consultant to 2e2, a provider of mission critical IT services and solutions. He was a consultant to Merrill Lynch until November 2008. He is chairman of the Governing Boards of Certification International Limited and Eurotrust International Limited and a director of Carbondesk Group plc. He has been a Crossbench Member of the House of Lords since 1979 and an extra Lord-in-Waiting to HM The Queen since 1999. He serves on several EU Select Committees.

Lady Balfour of Burleigh (64) CBE, Albion Enterprise VCT PLC is a non-executive director of Murray International Trust plc and Scottish Oriental Smaller Companies Trust plc. She is also chairman of the Nuclear Liabilities Fund and the Nuclear Liabilities Financing Assurance Board. She was formerly a director of Cable and Wireless plc, Midland Electricity plc, WH Smith plc and Stagecoach Group plc.

Friedrich Ternofsky (67), Chairman Albion Income & Growth VCT PLC is an Austrian national, who has spent much of his career in the hotel and leisure industry. He was the chief executive of Marriott Hotels UK from 1981 to 1993 before becoming chief executive of the UK and Scandinavian operations of Compass Group plc, a post he held until 2000. He is currently a non-executive director of Wates Group Limited and Kew Green Hotels Limited, as well as a number of private companies.

John Kerr (67) ACMA, Chairman of the Audit Committee Albion Income & Growth VCT PLC and of Albion Venture Capital Trust PLC. John Kerr has worked as a venture capitalist and also in manufacturing and service industries. He held a number of finance and general management posts in the UK and USA, before joining SUMIT Equity Ventures, an independent Midlands based venture capital company, where he was managing director from 1985 to 1992. He then became chief executive of Price & Pierce Limited, which acted as the UK agent for overseas producers of forestry products, before leaving in 1997 to become finance director of Ambion Brick, a building material company bought out from Ibstock PLC. After retiring in 2002, he now works as a consultant. He is also an external member of the Albion Ventures LLP investment committee.

Mary Anne Cordeiro (48) MA, Albion Income & Growth VCT PLC. Mary Anne Cordeiro worked at Goldman Sachs International Limited, first in the mergers and acquisitions department and subsequently in the Financial Institutions Group from 1986 to 1992. She worked in similar roles in Bankers Trust Company and Paribas, and was also co-head of Paribas' Financial Institutions Group, before leaving to found her own business in the insurance sector in 1998. More recently she has applied her financial and strategy expertise to the commercialisation of science and technology, and advises a range of early-stage businesses.

Robin Archibald (51) BComm, CA, Albion Income & Growth VCT PLC qualified as a chartered accountant with Touche Ross in Glasgow in 1983, before transferring with Touche to London where he worked in the corporate finance department. Since 1986, he has worked in corporate finance and corporate broking roles, including for Samuel Montagu, SG Warburg Securities, NatWest Wood Mackenzie and since 2004 has been director and head of corporate finance and broking for Winterflood Securities, a wholly owned subsidiary of Close Brothers PLC. Since the early nineties, he has concentrated on advising and managing transactions in the UK closed ended funds sector and has gained a wide experience on fund raising, reorganisations and restructurings for all types of listed funds.

Patrick Crosthwaite FSI (67), Chairman Crown Place VCT PLC. From 1989 to 1999 he was managing director of Henderson Crosthwaite Limited, a private client portfolio management and broking business. Subsequently he served as a director of Carr Shepherds Crosthwaite (part of the Investec Group). He served as Chairman of Investec Bank's underwriting committee from 2000 until 2002 and was the director responsible for Investment Process and Research at Gerrard Limited from 2003 to 2004.

Rachel Beagles MA (42), Chairman of the Audit and Risk Committee Crown Place VCT PLC was Co-Head of the Pan-European Banks Equity Research and Sales Team and a Managing Director of Corporate and Investment Bank Group Division at Deutsche Bank AG until April 2003. She is a non-executive director of Schroder UK Mid and Small Cap Fund PLC, Securities Trust of Scotland plc and vice chair of Newlon Housing Trust.

Sir Andrew Cubie CBE (64), Crown Place VCT PLC is a consultant to Fyfe Ireland LLP solicitors, having been the senior partner until April 2003. He has extensive experience of corporate law and investment, particularly in the private company sector. He is a non-executive director of a number of companies including BLAS Limited, ESPC (UK) Limited, Kinloch Anderson Limited, CP1 VCT PLC and CP2 VCT PLC (which are wholly owned subsidiaries of Crown Place VCT PLC). He is the Chairman of the Northern Lighthouse Board and the senior member of the Management Board of H.M.I.E. in Scotland. He was Chairman of CBI Scotland from 1995 to 1997. He is Chairman of Quality Scotland Foundation and The Centre of Healthy Working Lives. He is the Chairman of the Committee of University Chairs for the UK. In 2001 he was awarded a CBE for services to business and education in Scotland and was knighted in 2009 for public service.

Vikram Lall CA CBE (63), Crown Place VCT PLC was corporate finance director of Brewin Dolphin until December 2003. He is a non-executive director of a number of companies including ISIS Property Trust, CP1 VCT PLC and CP2 VCT PLC (which are wholly owned subsidiaries of Crown Place VCT PLC). He was Chairman of the Scottish Industrial Development Advisory Board from 2001 to 2007. In 2005 he was awarded the CBE for services to business in Scotland.

Martin Bralsford (62) MSc, FCA, FCT, Chairman Albion Prime VCT PLC. After qualifying as a chartered accountant with Pannell Kerr Forster & Co, London, Martin Bralsford held senior positions in a number of large listed companies including the Rank Organisation, Cadbury Schweppes and The Stanley Gibbons Group Plc. In 1986 he was a member of the management buy-out team which acquired the food and beverage division of Cadbury Schweppes and he subsequently became managing director of Premier Brands Limited. He left Premier Brands Limited in 1991. He was chief executive of C.I. Traders Limited, a Jersey based leisure, retail and property conglomerate until July 2007. He currently provides corporate consultancy services to a number of listed companies (including Collins Stewart Wealth Management) through his consultancy company, Marbral Limited. He is a resident of Jersey.

Ebbe Dinesen (63) R (Danish) FSR Chairman of the Audit Committee Albion Prime VCT PLC, qualified as a chartered accountant in Denmark before working in senior positions in Danish industry. In 1985 he came to the United Kingdom and became CEO of Carlsberg UK in 1987. He later became CEO of Carlsberg-Tetley PLC (now Carlsberg UK) and became executive chairman of the company in 2001. He stepped down in 2006. He was chairman of the British Brewers from 2002 to 2006. Ebbe Dinesen was Danish vice-consul for The Midlands from 1987 to 2006. In 2000 he was knighted by the Queen of Denmark.

Modwenna Rees-Mogg (41) MA Albion Prime VCT PLC. Following an early career as a corporate financier at Kleinwort Benson Limited where she worked on M&A and fundraisings for many FTSE100 companies and other clients, she founded the online media business AngelNews in 2003, which is focused on the early stage investment market for both investors and entrepreneurs. She is on the advisory board of Pickering & Chatto (Publishers) Limited and is the author of Dragons or Angels, a handbook on how to raise money from business angels and how to be a business angel investor.

Dr Neil Cross (65) FCIS, Chairman and Chairman of the Audit Committee of Albion Technology & General VCT PLC has extensive experience in private equity and corporate governance. He was formerly an executive director of 3i Group plc from 1989 to 1996, having spent 27 years in a variety of investment and management roles, latterly in charge of the group's international operations. He has been a non-executive director of a number of listed and private companies and is presently a non-executive director of BMT Group Limited (Chairman) and Caliburn Absolute Strategies SPC.

Lieutenant General Sir Edmund Burton KBE, (66) MA, DSc, FIET, FBCS, Albion Technology & General VCT PLC has provided advice to government departments on Information Risk and Assurance and on obtaining business benefits from technology investment. He was Deputy Chief of Defence Staff (Systems) from 1997 to 1999, with specific responsibility for developing a balanced and affordable equipment and research programme for the United Kingdom Armed Forces. His military career prior to that included three years as Commandant of the Royal Military College of Science at Shrivenham and two years as military attaché at the British Embassy in Washington. On 31 December 2003, he completed a three year appointment as Executive Chairman of the Police Information Technology Organisation. He is visiting professor at Cranfield University and Chairman of the Information Assurance Advisory Council.

Michael Hart (68), Albion Technology & General VCT PLC has considerable experience in the software and IT sector. He was, until October 2004, executive chairman of AFA Systems PLC, the AIM-quoted developer of treasury software for financial institutions which he founded in 1995. Prior to that, he was managing director of ACT Group PLC which he joined in 1989 after 15 years at Siemens Nixdorf.

David Watkins (65) MBA (Harvard), Chairman Albion Venture Capital Trust PLC

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

Jeff Warren (62) ACCA, Albion Venture Capital Trust PLC

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

Jonathan Rounce (60) FCA, FIH, Albion Venture Capital Trust PLC

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

Table 5: Albion Ventures VCT performance

Share class	Year launched	Internal Rate of Return **without** initial Income Tax Relief	**Internal Rate of Return with initial Income Tax Relief**	Total Return (NAV plus dividends) Pence	Net Asset Value Date	Net Asset Value Pence	**Position within peer group of VCTs launched in same tax year**
Albion Development VCT							
O	1998/99	2.9%	**5.4%**	130.80	30/06/2010	77.00	**6th out of 12**
O	2002/03	3.0%	**6.5%**	122.43	30/06/2010	82.50	**2nd out of 6**
C then O	2003/04	3.4%	**7.7%**	120.75	30/06/2010	82.50	**2nd out of 5**
Albion Enterprise VCT							
O	2006/07	-3.2%	**8.3%**	90.15	30/06/2010	86.80	**4th out of 9**
O	2007/08	-4.6%	**10.3%**	89.05	30/06/2010	86.80	**12th out of 22**
Albion Income & Growth VCT							
O	2004/05	-3.5%	**6.3%**	82.75	30/06/2010	68.30	**16th out of 20**
Albion Prime VCT (was Protected VCT)							
O	1996/97	1.0%	**3.2%**	111.45	30/06/2010	71.00	**3rd out of 7**
Albion Technology & General VCT							
C	2005/06	-4.9%	**7.2%**	80.59	30/06/2010	70.60	**15th out of 20**
O	2000/01	5.1%	**8.2%**	149.00	30/06/2010	92.00	**2nd out of 15**
Albion Venture Capital Trust							
O	1995/96	6.8%	**9.5%**	192.30	30/06/2010	80.00	**1st out of 8**
C then O	1996/97	6.4%	**9.1%**	180.75	30/06/2010	80.00	**1st out of 7**
Source: Tax Efficient Review calculations based on London Stock Exchange data							

Table 6: Albion unquoted holdings as at 30 June 2010											
Investee Company	Cost £000	Value £000	Date invested	Syndicated	Lead investor	% Debt	% Equity	Industry Sector	Financing stage	Valuation method	Board Seat
Growth Portfolio											
Blackbay Limited	3,615	5,425	Mar-06	N	Y	65%	35%	Software	Later stage, pre-profit expansion	Profit multiple	Y
Booth Dispensers Limited	80	80	Feb-02	N	Y	100%	0%	Engineering	Later stage, pre-profit expansion	Net assets	N
Chichester Holdings Limited	4,999	1,6045	Jan-07	N	Y	74%	26%	Support services	Mature stage, MBO	Profit multiple	Y
Consolidated PR Limited	1,199	1,129	Jun-01	N	Y	36%	64%	Support services	Mature stage, MBO	Multiple of earnings	Y
Dexela Limited	2,600	1,991	May-06	N	Y	0%	100%	Healthcare	Early stage, pre-revenue	Impairment to cost	Y
Driver Hire Investments Limited	408	127	Sep-04	Y	Y	99%	1%	Support services	Early stage, pre-revenue	Earnings multiple	N
ELE Advanced Technologies Limited	1,050	1,971	May-00	Y	Y	0%	100%	Engineering	Later stage, pre-profit expansion	Earnings multiple	Y
Forth Photonics Limited	2,500	2,500	Jan-09	Y	Y	0%	100%	Healthcare	Later stage, pre-profit expansion	Cost of recent financing	Y
Helveta Limited	3,000	3,000	Sep-06	Y	Y	0%	100%	Software	Later stage, pre-profit expansion	Price of recent investment	Y
House of Dorchester Limited	368	414	Sep-02	Y	N	71%	29%	Travel & leisure	Later stage, pre-profit expansion	Earnings multiple	N
Lowcosttravelgroup Limited	3,400	1,886	Sep-05	N	Y	11%	89%	Travel & leisure	Later stage, pre-profit expansion	Multiple of earnings	Y
Masters Pharmaceuticals Limited	2,650	2,664	Jun-10	N	Y	53%	47%	Healthcare	Later stage, pre-profit expansion	Cost plus amortised loan stock value	Y
Mi-Pay Limited	3,950	4,280	Nov-07	Y	Y	0%	100%	Software	Later stage, pre-profit expansion	Price of latest investment	Y
Mirada Medical Limited	1,000	1,285	Nov-08	N	Y	50%	50%	Healthcare	Early stage MBO	Cost	Y
Opta Sportsdata Limited	1,805	1,720	Feb-08	N	Y	58%	42%	Support services	later stage, pre-profit expansion	Multiple of earnings	Y
Oxsensis Limited	2,740	2,077	Jul-07	Y	Y	0%	100%		Early stage, pre-revenue	price of last transaction	Y
Source: Albion Ventures											

Table 6: Albion unquoted holdings as at 30 June 2010

Investee Company	Cost £000	Value £000	Date invested	Syndicated	Lead investor	% Debt	% Equity	Industry Sector	Financing stage	Valuation method	Board Seat
Palm Tree Technology plc	375	56	Dec-05	Y	N	60%	40%	Software	Early stage, pre-revenue	Reviewed for impairment	N
Peakdale Molecular Limited	2,158	2,098	Nov-01	Y	Y	51%	49%	Healthcare	Later stage, pre-profit expansion	Multiple of earnings	Y
Point 35 Microstructures Limited	1,950	1,699	Jun-07	N	Y	50%	50%	Software	Later stage, pre-profit expansion	Discount to cost	Y
Prime Care Holdings Limited	3,000	3,191	Sep-08	N	Y	70%	30%	Healthcare	Later stage, pre-profit expansion	Price of recent earnings	Y
Process Systems Enterprise Limited	1,500	970	Jun-07	N	Y	25%	75%	Software	Later stage, pre-profit expansion	Earnings multiple	Y
Red-M Wireless Limited	302	313	Dec-05	Y	Y	39%	61%	Software	Later stage, pre-profit expansion	Multiples of historic revenue	Y
Rostima Limited	3,216	325	Feb-07	Y	Y	33%	67%	Software	Later stage, pre-profit expansion	Price of recent investment reviewed for impairment	Y
sparesFinder Limited	613	103	Mar-01	N	Y	0%	100%	Software	Later stage, pre-profit expansion	Discounted earnings multiple	N
Xceleron Limited	4,442	4,777	Nov-06	Y	Y	34%	66%	Healthcare	later stage, pre-profit expansion	Price of recent investment	Y
Lower risk											
Albion Investment Properties Limited (formerly Smiles Pub Company Limited)	1,363	1,143	Jan-05	N	Y	89%	11%	Pubs	Mature stage, MBI	Third party valuation	Y
Bravo Inns II Limited	5,380	5,112	May-07	N	Y	67%	33%	Pubs	Later stage, pre-profit expansion	Third party valuation	Y
Bravo Inns Limited	4,450	2,432	Aug-08	N	Y	67%	33%	Pubs	Later stage, pre-profit expansion	Third party valuation	Y
City Screen (Cambridge) Limited	960	1,653	Jul-99	N	Y	81%	19%	Travel & leisure	Early stage, pre-revenue	Net asset value supported by third party valuation of freehold property	Y
City Screen (Liverpool) Limited	610	508	Nov-02	N	Y	73%	27%	Travel & leisure	Early stage, pre-revenue	Third party valuation	Y

Source: Albion Ventures

Table 6: Albion unquoted holdings as at 30 June 2010											
Investee Company	Cost £000	Value £000	Date invested	Syndicated	Lead investor	% Debt	% Equity	Industry Sector	Financing stage	Valuation method	Board Seat
CS (Brixton) Limited	2,045	2,641	Aug-05	N	Y	73%	27%	Travel & leisure	Later stage, pre-revenue	Third party valuation	Y
CS (Exeter) Limited	788	700	Sep-05	N	Y	72%	28%	Travel & leisure	Later stage, pre-revenue	Third party valuation	Y
CS (Greenwich) Limited	2,536	2,495	Sep-04	N	Y	72%	28%	Travel & leisure	Early stage, pre-revenue	Third party valuation	Y
CS (Norwich) Limited	800	709	Sep-07	N	Y	67%	33%	Travel & leisure	Early stage, pre-revenue	Third party valuation	Y
Evolutions Television Limited	9,099	5,051	Dec-04	N	Y	76%	24%	Support services	Mature stage, MBO	Discounted net asset value	Y
G&K Smart Developments VCT Limited	3,000	1,886	Nov-96	N	Y	55%	45%	Residential property development	Later stage, pre-profit expansion	Cost less provision	Y
GB Pub Company VCT Limited	1,905	729	Jun-05	N	Y	70%	30%	Pubs	Later stage, pre-profit expansion	Net asset value	Y
Geronimo Inns I and II	8,000	9,061	Jul-09	N	Y	67%	33%	Pubs	Early stage, pre-revenue	Net asset value	Y
Kensington Health Clubs Limited	11,700	7,109	Jan-05	N	Y	67%	33%	Travel & leisure	Early stage , pre-revenue	Net asset value on independent valuation	Y
Kew Green (Stansted) VCT Limited	8,091	11,329	Mar-03	N	Y	67%	33%	Hotels	Early stage , pre-revenue	Third party valuation	Y
Orchard Portman Hospital	5,172	5,261	Mar-10	N	Y	47%	53%	Healthcare	Early stage , pre-revenue	Cost	Y
Premier Leisure (Suffolk) Limited	3,670	942	Feb-07	N	Y	67%	33%	Travel & leisure	Later stage, pre-profit expansion	Net asset value	Y
Prime VCT Limited	990	360	Sep-96	N	Y	0%	100%	Residential property development	Later stage, pre-profit expansion	Cost less provision	Y
Radnor House School Limited	7,985	7,985	Sep-10	N	Y	53%	47%	Education	Early stage , pre-revenue	Cost	Y
TEG Biogas (Perth) Limited	2,900	2,900	Jul-10	N	Y	69%	31%	Environmental	Early stage , pre-revenue	Cost	Y
The Bear Hungerford Limited	3,255	2,207	Mar-05	N	Y	76%	24%	Hotels	Later stage, pre-profit expansion	Net asset value supported by third party valuation of freehold property	Y
Source: Albion Ventures											

Table 6: Albion unquoted holdings as at 30 June 2010											
Investee Company	Cost £000	Value £000	Date invested	Syndicated	Lead investor	% Debt	% Equity	Industry Sector	Financing stage	Valuation method	Board Seat
The Charnwood Pub Company Limited	14,518	7,983	Nov-05	N	Y	72%	28%	Pubs	Later stage, pre-profit expansion	Adjusted third party valuation	Y
The Crown Hotel Harrogate Limited	7,750	5,394	Nov-05	N	Y	73%	27%	Hotels	Later stage, pre-profit expansion	Third party valuation	Y
The Dunedin Pub Company VCT Limited	1,713	597	Nov-05	N	Y	54%	46%	Pubs	Later stage, pre-profit expansion	Offer received	Y
The Place Sandwich VCT Limited	2,538	2,320	Jan-05	N	Y	62%	38%	Hotels	Later stage, pre-profit expansion	Net asset value supported by third party valuation of freehold property	Y
The Q Garden Company Limited	3,600	1,546	Dec-01	N	Y	86%	14%	Travel & leisure	Mature stage, MBI	Third party valuation	Y
The Stanwell Hotel Limited	6,750	5,706	Aug-07	N	Y	68%	32%	Hotels	Early stage , pre-revenue	Third party valuation	Y
The Weybridge Club Limited	8,334	7,279	Apr-05	N	Y	71%	29%	Travel & leisure	Early stage , pre-revenue	Earnings multiple	Y
Tower Bridge Health Clubs Limited	2,870	2,962	Nov-05	N	Y	69%	31%	Travel & leisure	Early stage , pre-revenue	Net asset value - valuation based	Y
Wickenhall Mill VCT Limited	547	96	Feb-05	N	Y	28%	72%	Residential property development	Early stage , pre-revenue	Auction reserve price	Y
Source: Albion Ventures											

Matrix VCT Linked offer

Type	Unquoted
Size	£21m
Manager	Matrix Private Equity Partners LLP
Sponsor	Charles Stanley
Focus	MBOs in Unquoted companies
Funds initially invested	Cash or cash equivalent assets
Minimum investment	£5,000
Minimum subscription	Not applicable as this is a further issue of shares
Closing date tax year 2010/11	31 March 2011
Commission	2.25% initial and trail of 0.375% for max. 6 years

Strategy

This is a linked top up issue of £21m into three Matrix advised VCTs.

With Planned Exit VCTs proving popular with investors in recent years and probably taking at least half the funds to be raised by VCTs in this tax year, Matrix is seeking to reposition its offering as a direct competitor to Planned Exit VCTs. Matrix are promoting their offering as a generalist VCT with Matrix aiming to provide similar downside protection and liquidity benefits to some of the planned exit VCTs. This is deliverable in their view if a generalist VCT achieves above average investment performance and maintains sufficient liquidity to support buying back of shares at a 10% discount or less.

In our view, this will not be an easy argument for generalist VCTs to win against those Planned Exit VCTs that are successfully implementing their strategy. The whole point of a Planned Exit offer is the exit in year six and however good a tender offer or buy-back policy is, it can never compete against properly executed Planned Exit structured deals which convert to cash after five years. These usually involve a redemption premium on the loan portion covering the recoupment of the equity portion of the investment.

Matrix say the attractions of this further issue of ordinary shares across three of the four generalist VCTs managed by Matrix Private Equity Partners are: -

- Scale and diversification. A linked top-up offer to invest in ordinary shares in a large asset pool spread across three VCTs that comprise c. £97m in a mature portfolio of qualifying investments and cash.
- Lower risk investment strategy. A focus on larger MBO deals in larger privately owned profitable companies, investing in yielding loan stock as well as shares.
- Multi fund dividend stream. The Manager is targeting a minimum annual dividend yield of 4%.
- Ability to exit. A clear stated buyback and discount policy that enables investors to sell their shares at a 10% discount to NAV once their holding period for initial tax relief has expired.

Matrix manages over £120m of VCT funds and the bulk of it is in the three VCTs raising funds currently; Matrix Income & Growth VCT, Matrix Income & Growth 4 VCT and The Income & Growth VCT. In aggregate, these three VCTs comprise assets of £97m of which 58% is invested primarily in unquoted companies and 42% is in cash and interest- bearing investments in liquidity funds.

The VCTs all co-invest in established profitable unquoted companies and Matrix has a focus on Management Buy Out deals. The Manager cites three reasons why they believe their transactions to be particularly attractive and lower risk: -

1. They are larger deals in larger companies in comparison to many VCTs. A typical Matrix VCT investment will be £3–5m in a company with annual revenue of £15m and annual profits of £1m.
2. With MBOs, the Manager has the advantage of having the incumbent management of the target investee company on side as a fellow buyer. This provides the

Table 1: Funds under Management - Matrix Private Equity Partners - Data Source Mark Wignall September 2010					
	Net assets £m	Annual Management fee	Still to be invested to meet Board set 80% in qualifying companies £m	Already invested in Acquisition Vehicles that are seeking investee companies £m	Total to be invested £m
MIG VCT	37	£740,000	3	4	7
MIG 2 VCT	24	£480,000	6	2	8
MIG 4 VCT (formerly TriVen)	23	£460,000	-	6	6
I & G VCT(formerly TriVest)	37	£740,000	2	6	8
TOTAL	£121m	£2,420,000	£11m	£18m	£29m

Manager with a far better view of the true risks and opportunities of the proposed investment.

3. They only target investee companies that are profitable and cash generative which means that the Manager can invest to produce a cash return before and in addition to the capital gain from eventual realisation. They can structure the VCTs' investment using loan stock as well as shares. Typically this loan stock would represent 70% of the capital invested in each deal and have a paid yield of 8-10%. Even without underlying growth, the ability of the investee company to generate sufficient cash to pay loan interest and capital repayments can mean excellent returns for a VCT investor.

An investment will be spread equally across the 3 VCTs and the Offer Price will be calculated by reference to the latest NAV per Share for each VCT divided by 0.945 to allow for issue costs, prior to each allotment. Investors will benefit from a three-fund dividend stream from three mature VCTs as opposed to having to rely on dividend performance of a single VCT.

Early investors by 17 January will be entitled to the first dividend of 2p which will be paid by the Income & Growth VCT in February. Investors subscribing by 4 March will be eligible to receive a further Income & Growth VCT dividend of 2p which will be payable in March. The Manager is targeting at least 4% dividend yield for each of the three VCTs.

The history of each VCT is summarised below.

Matrix Income & Growth VCT plc (MIG)

MIG was launched in July 2004 and has been managed solely by Matrix since launch. In May 2010, MIG completed a merger with Matrix Income & Growth 3 VCT plc ("MIG 3") which was also solely managed by Matrix since launch. As at 30 September 2010, MIG had net assets of £37.5 million, £23.0 million of which was invested in 17 companies with the balance of £14.5 million substantially invested in Money Market Funds.

Matrix Income & Growth 4 VCT plc (MIG 4)

MIG 4 was formerly known as TriVen VCT plc and was originally advised by three VCT managers, Matrix, Elderstreet Private Equity Limited and Nova Capital Management. Elderstreet and Nova stood down in 2006 and Matrix was awarded the investment mandate as sole manager in respect of the original ordinary share fund. In the 2006/2007 tax year, MIG 4 raised £15.4 million net and in the 2009/2010 tax year a small top up offer raised a further £1.6 million net. As at 31 July 2010, MIG 4 had net assets of £23.3 million, £9.1 million of which was invested in 25 companies with the balance of £14.2 million substantially invested in Money Market Funds.

Table 2: Matrix Private Equity Partners Track record in managing VCTs as at 30 September 2010

VCT NAME (EPIC CODE)	Size £m	Launched	VCT results since launch			VCT results since MPEP took over management or since inception if VCT is multi-manager		
			Dividends to date	Annual IRR post initial tax relief	Total return (dividends plus latest net asset value)	Managed by MPEP since	Detail	Annual IRR post initial tax relief since management taken over by MPEP or since inception for multi-manager VCT
MIG VCT (MIX)	19	Oct 04	21.3p	**12.2%** 8th out of 20	113.90p 30/09/10	Launch	Start 100.00 08/10/2004 Dividend 0.30 27/09/2005 Dividend 0.70 16/05/2006 Dividend 0.80 14/09/2006 Dividend 1.40 18/05/2007 Dividend 1.00 20/09/2007 Dividend 7.80 21/05/2008 Dividend 3.30 11/09/2008 Dividend 1.00 15/05/2009 Dividend 5.00 21/04/2010 End NAV 92.57 30/09/2010	**12.2%**
MIG 2 VCT Ord shares (MIG)	8.9	Dec 00	26.79p	**2.9%** 7th out of 15	102.09p 31/07/10	Aug 05	Start NAV 92.10 04/04/2005 Dividend 6.00 20/10/2005 Dividend 6.00 08/02/2006 Dividend 6.00 19/09/2007 Dividend 6.00 23/07/2008 End NAV 75.30 31/07/2010	**1.7%**
MIG 2 VCT C shares (MIGC)	8.3	Dec 05	5.0p	**11.3%** 10th out of 20	97.09p 31/07/10	Launch	Start NAV 94.50 04/04/2006 Dividend 1.50 19/09/2007 Dividend 2.50 23/07/2008 Dividend 1.00 19/09/2009 End NAV 92.09 31/07/2010	**11.3%**
MIG 3 VCT (MIXT)	17.9	Aug 05	9.55p	**12.6%** 14th out of 20	108.20p 30/09/10	Launch	Start NAV 94.50 04/04/2006 Dividend 1.25 18/05/2007 Dividend 1.00 20/09/2007 Dividend 1.50 21/05/2008 Dividend 1.05 11/09/2008 Dividend 0.80 15/05/2009 Dividend 4.00 21/04/2010 End NAV 98.65 30/09/2010	**12.6%**
Matrix Income & Growth 4 VCT Ord shares (was TriVen VCT plc, name changed 18 Oct 2006, shares conversion ratio 2 TriVen for 1 MIG4)	21.7	June 99	8.84p	**(2.1%)** 10th out of 12	64.29p 31/07/10	Aug 06	Start NAV 58.15 31/01/2007 Dividend 0.37 08/11/2007 Dividend 0.62 11/06/2008 Dividend 0.50 07/11/2008 Dividend 0.50 10/06/2009 Dividend 0.50 07/11/2010 Dividend 1.00 10/06/2010 End NAV 55.45 31/07/2010	**0.4%**
			Note: Figures relate to a single TriVen share before consolidation. MPEP only managed a third of the portfolio up to August 2006 and then were elected by the board to manage the total portfolio.					
Matrix Income & Growth 4 VCT further issue of shares raised £14.6m in tax year 2006/07 at average 121p per share	14.6	Oct 06	7p	**10.7%** 3rd out of 9	117.9p 31/07/10	Launch	Start NAV 121.00 31/10/2006 Dividend 0.75 08/11/2007 Dividend 1.25 11/06/2008 Dividend 1.00 07/11/2008 Dividend 1.00 10/06/2009 Dividend 1.00 07/11/2009 Dividend 2.00 09/06/2010 End NAV 110.90 31/07/2009	**10.7%**
Income & Growth VCT (was TriVest) (TST)	42.5	Nov 00	22.45p	**2.2%** 9th out of 15	97.48p 30/09/10	Apr 08	Start NAV 87.12 31/03/2008 Dividend 4.00 16/02/2009 Dividend 2.00 17/03/2009 End NAV 75.03 30/09/2010	**(3%)**
			Note: MPEP only managed a third of portfolio up to April 2008 and then managed total portfolio.					
Income & Growth VCT S shares	11.2	Dec 07	0.5p	**13.7%** 5th out of 22	99.5p 30/09/10	Launch	Start NAV 94.50 04/04/2008 Dividend 0.50 17/03/2010 End NAV 99.04 30/09/2010	**13.7%**

Source: Company and published accounts for data and Tax Efficient Review for calculations

The Income & Growth VCT plc (I&G)

I&G was formerly known as TriVest VCT plc and was originally advised in respect of the original ordinary share fund, by three VCT managers, Matrix, Foresight Group and Nova Capital Management. In the 2007/2008 tax year Matrix raised £11.8 million net through a new S share offer for which it was the sole manager. Foresight and Nova stood down in 2009 and Matrix was awarded the investment mandate as sole manager in respect of the original ordinary share fund. In March 2010 the S ordinary shares and the original ordinary shares were merged. As at 30 June 2010, I&G had net assets of £36.6 million, £20.7 million of which was invested in 45 companies with the balance of £15.9 million substantially invested in Money Market Funds.

Tax Efficient Review Strategy rating: 28 out of 30

Track Record

Since 2004/2005, the three VCTs have launched four separate fundraisings with Matrix as their sole investment manager which we consider to be sufficiently mature as to have meaningful performance.

In a period in which the credit crunch and recession has hit performance of many VCTs, Matrix point out that the performance of all of their four fundraisings since launch has held up exceptionally well and that this is evidence of their lower risk strategy in action. The total returns in each demonstrate that shareholder value has at least been preserved and that cannot be said for some of their rival generalist and Planned Exit rival VCTs over the same period.

The best performer is the Matrix Income & Growth fundraising launched in 2004 with a total return to 30 September 2010 of 113.9p (NAV 92.6p, dividends paid 21.3p) and an annual internal rate of return of 12.2%.This has benefited from three full exits from investments in Ministry of Cake, BBI and PastaKing and this is shown clearly in the higher dividends paid.

The most relevant long term track record dates from 1999 through Income & Growth VCT, which was formerly Trivest VCT. With multi-manager VCTs, the performance of the VCT is attributable to the combined performance of all three fund management groups and is therefore outside the control of any one individual participating fund management team. To assess the Matrix performance, we have evaluated the performance of their starting capital since launch and then factored in costs to represent the annual charges suffered by VCTs. The result is the equivalent of 153p total return, which would put it near the top of its peer group.

Overall,this is a good track record. Each of the five Matrix VCT fundraisings solely invested by the Manager from inception has achieved median or better in their categories in each case (see Table 2 opposite, column 5). Performance has been achieved through a combination of sound investments and a decision to invest cautiously at a relatively modest pace through a period of challenging investment conditions. Matrix say they were aware this period was one of high prices and unsustainable availability of debt that made new investment conditions unattractive. This caution though has resulted in almost £27million of funds still to be invested or in "Acquisition Vehicles" and we consider the impact of this below when we examine the team size and deal flow

Tax Efficient Review Track Record rating: 30 out of 40

Manager

The fund manager is Matrix Private Equity Partners LLP which was formed by four private equity executives in 1998 and was one of the three managers of Matrix Income & Growth 4 VCT and The Income & Growth VCT from inception. Each of the four Founder Partners has between 15 and 30 years private equity experience and the team are one of the most stable in VCT management, having worked together for 12

Table 3: Matrix Private Equity Partners advised realisation events in last three years Source: Matrix

Investee Company name	Amaldis (2008)	BBI Holdings	FH Ingredients	Gyro International	Hunter Rubber Company	HWA (Holloway White Allom)	Inca Interiors
Structure of investment	Equity/ Preference Shares/ Loanstock	Equity	Equity/ Preference SharesLoanstock	Equity/ Preference Shares/ Loanstock	Equity/Loanstock	Equity/ Preference Shares	Equity/Loanstock
Industry sector	Personal Care & Household Products	Pharmaceuticals & Biotechnology	Food Producers & Processors	Media & Entertainment	Personal Care & Household Products	Construction & Building Materials	Construction & Building Materials
Financing stage when first invested	Mature stage, MBO	Later Stage, Pre-flotation	Mature stage, MBO	Later Stage, Pre-flotation	Mature stage, MBO	Mature stage, MBO	Mature stage, MBO
Board seat	N	Y	Y	N	Y	Y	Y
Amount originally invested /Date(s)	£1,000,000 30/09/2004	£1,137,788 27/04/2004	£800,000 23/02/2005	£750,013 10/02/2005	£500,000 21/01/2004	"£1,000,000 07/11/2002"	"£700,000 02/10/2001"
Further investment amounts (if any)					£436,047 28/04/2005	"£421,688 08/01/2010"	
Realisations/ Dividends	£1,866,255 11/04/2008	£3,324,489 01/02/2008	£64,415 28/01/2007	£2,456,853 31/01/2008	£121,710 10/04/2006	"£5,021,341 01/01/2008"	"£179,850 02/06/2008"
Profit/loss	£866,255	£2,186,701	-£735,585	£1,706,840	-£814,337	£3,599,653	-£520,150
Annual Internal Rate of Return	**19%**	**33%**	**-73%**	**49%**	**-78%**	**36%**	**-18%**
Length of investment	3.5 years	3.7 years	1.9 years	2.9 years	2.2 years	5.1 years	6.6 years

Table 3: Matrix Private Equity Partners advised realisation events in last three years Source: Matrix

Investee Company name	Legion Group	Maven Management	Ministry of Cake	PastaKing Holdings	Secure Mail Services	Tottel Publishing
Structure of investment	Equity	Equity/Preference Shares	Equity/Preference Shares/Loanstock	Equity/Preference Shares/Loanstock	Equity/Preference Shares/Loanstock	Equity/Preference Shares/Loanstock
Industry sector	Support Services	Media & Entertainment	Food Producers & Processors	Food Producers & Processors	Support Services	Media & Entertainment
Financing stage when first invested	Later Stage, Pre-flotation	Mature stage, MBO	Mature stage, MBO	Mature stage, MBO	Mature stage, MBO	Mature stage, MBO
Board seat	N	Y	Y	Y	N	Y
Amount originally invested /Date(s)	£600,000 11/08/2005	£550,000 29/02/2000	£2,050,000 29/09/2005	£1,775,000 02/06/2006	£1,000,000 10/09/2002	£750,000 19/10/2004
Further investment amounts (if any)					£125,000 04/09/2003 £178,571 05/02/2004	
Realisations/ Dividends	£0	£1,094,710 30/09/2009	£5,274,399 10/12/2007	£5,798,708 18/11/2009	£5,468,605 30/11/2009	£3,028,460 01/07/2009
Profit/loss	-£600,000	£544,710	£3,224,399	£4,023,708	£4,165,034	£2,278,460
Annual Internal Rate of Return	**-**	**7%**	**54%**	**41%**	**23%**	**35%**
Length of investment	-	9.5 years	2.1 years	3.4 years	7.2 years	4.7 years

IRR across all realisations in last three years is 22% (Tax Efficient Review calculation using Matrix data) years. They are: Mark Wignall, Managing Partner (53, ex MAI plc), Jonathan Gregory, Partner (49, ex Baker Tilly), Bob Henry, Partner (54, ex head of investment HSBC Ventures) and Mike Walker, Partner (55, ex head of Portfolio Management Gresham Trust).

The five other members of the investment team are Eric Tung, Partner, joined in 2000 (49, ex head of investment at Enterprise Ventures), Ashley Broomberg, Partner joined in 2001 (40, ex Arthur Andersen), John Brandon, Director joined in 2004(65, ex Managing Director HSBC Ventures), Guy Blackburn, Manager joined in 2007 (30, ex Grosvenor Estates), Chris Price, Manager joined in 2010 (30, ex Foresight Group). Matrix has a back office team of seven accountants, company secretaries and administrators responsible for operating the VCTs and investor relations.

We consider this to be one of the best resourced teams in the VCT sector with nine investment and seven back office staff, all full-time and entirely focused on managing the Matrix VCTs. The Manager's claim to be able to offer a lower risk approach for investors is supported by strong credentials in stability, experience and consistent strategy. Quality control and risk management is made easier by all the team working together out of their central London offices. The six Partners are committed to the Matrix VCTs through their ownership of the VCT fund management company.

The Manager will not follow the trend in VCTs implementing a co-investment strategy. Mark Wignall, Managing Partner of Matrix, told Tax Efficient Review:

> "Sweet equity co-investment schemes can cause Managers to pursue higher risk deals because their incentive lies just with the equity return as opposed to the return on total investment. Our strategy involves significant loan stock as well as equity. It's the all-money return that makes us lower risk and we wouldn't want an incentive that could skew that."

Each of the VCTs' Boards is independent of Matrix. They have substantial experience of venture capital businesses and have overall responsibility for each VCT's affairs, including determining the investment policy of the relevant VCT and making investment decisions (on the advice of Matrix). Each Board also retains responsibility for approving both the valuations of the portfolio and the net assets of its VCT which is an important safeguard for investors.

The directors are -

Independent Chairmen

Keith Niven - (62) – MIG - has over 30 years' experience in the financial services industry, most of which was spent at Schroder Investment Management.

Christopher Moore (65) – MIG 4 - has considerable experience of the venture capital industry and a background with Robert Fleming and Lazards.

Colin Hook (68) – I&G - has directed fund management operations for more than ten years and is a former chief executive of Ivory and Sime.

Independent Directors

Tom Sooke (65) – MIG – is an experienced venture capitalist and a former partner in Deloitte.

Andrew Robson (51) – MIG 4 – has a long experience in corporate finance at Robert Fleming and Société Générale

Jonathan Cartwright (57) – I&G – was Finance Director at Caledonia Investments for almost 20 years.

Non-Independent Directors

Bridget Guérin (48) – MIG – is managing director of Matrix Money Management, another Matrix Group company

Helen Sinclair (44) – I&G and MIG 4 – is an experienced venture capitalist, Chairman of British Smaller Companies VCT and a NED of Framlington AIM VCT.

Matrix deal flow is mainly derived from accountants and corporate finance houses. The investment team is nine strong and has an active programme of contacts with networks in all the major English regional corporate finance centres. Matrix says that their experience of and consistent focus on MBOs makes them a natural first call for many of these potential deals. The Matrix Operating Partner programme also originates deals direct with companies and this has recently been supplemented by the Matrix Alumni network. This is a club that brings together the successful Chief Executives and Chairmen of companies Matrix has backed over a 20 year period and combines them with those they are currently backing. It comprises an elite group of 50 successful entrepreneurs with extensive business relationships. This is a new feature for Matrix.

Not only must an investment manager obtain deal flow but it must have a team resourced to invest at the correct rate to satisfy the VCT rules. The 70% investment rule requires that by the end of the third accounting period after launch and in every accounting period thereafter the VCT must have at least 70% of its funds invested in qualifying holdings. Most Boards impose a minimum level that is higher than this to ensure that any exits do not push the VCT below the 70% level. In this case Matrix tell us that the VCT Boards minimum requirement is 75%.

To meet this test requires the investment team to source and complete enough qualifying deals. Should this not occur then VCT managers have agreed with HMRC that an investment in a so called "Acquisition Vehicle" will be counted towards the 70% rule as long as the "Acquisition Vehicle" is actively seeking opportunities to invest and invests at least 90% of its share capital within 24 months. This is a very useful escape route for VCTs as the other alternative is losing VCT status which will involve investors having their tax relief clawed back.

The Matrix VCTs contained thew following "Acquisition Vehicles":

Matrix Income & Growth VCT (as at 31/03/10) contained five with a combined total investment of £6m out of £36m of total funds (Apricot £1m, Aust £2m, Bladon Castle £1m, Fulfield £1m, Vanir £1m)

Matrix Income & Growth 4 VCT (as at 30/04/10) contained six with a combined total investment of £6m out of £23m of total funds (Backbarrow £1m, Rusland £1m, Bladon Castle £1m, Fulfield £1m, Vanir £1m, Torvar £1m)

The Income & Growth VCT (as at 31/03/10) contained two with a combined total investment of £2m out of £36m of total funds (Apricot £1m, Aust £1m)

Matrix Income & Growth VCT 2 VCT (as at 31/07/10) contained two with a combined total investment of £2m out of £24m of total funds (Backbarrow £1m, Vanir £1m).

Deal Flow

Meeting the investment challenge is in our view dependent on: the size of the team handling deal origination and completion, the average deal size and the number of deals an individual can complete in a year.

The size of the challenge for an investment team depends on: funds already raised and requiring investing, forthcoming exits that will require re-investing and the impact of new funds being raised.

So how does Matrix Private Equity Partners fare?

The team numbers nine investment professionals with an office in London. Table 4 shows the team members and where they spend their time. In terms of investing the team is equivalent to 6.3 full-time individuals (the sum of rows "Deal origination" and "New deal doing").

The funds still awaiting investment total £29m (see Table 1 for breakdown) which needs to be invested over the next 12 months.

Assuming the current offering raises its full subscription of £21m, this would add another £16m (80% of £21m) or over £5m per annum over three years.

Table 4: Matrix of individual responsibilities - MATRIX PRIVATE EQUITY PARTNERS Data source Mark Wignall September 2010									
NAMES	Mark Wignall	John Brandon	Ashley Broomberg	Guy Blackburn	Jonathan Gregory	Bob Henry	Eric Tung	Mike Walker	Chris Price
VCT RELATED WORK									
Deal origination %	40%	5%	35%	75%	25%	25%	25%	5%	75%
General enquiries %	-	-	-	-	-	-	-	-	-
New deal doing %	10%	-	60%	25%	65%	65%	70%	-	25%
Investee board seats No.	-	10	3	-	3	3	2	8	-
Sitting on Boards/Monitoring %	-	75%	5%	-	5%	5%	5%	60%	-
Fund raising %	45%	-	-	-	-	-	-	10%	-
Internal issues %	-	-	-	-	-	-	-	5%	-
Exits %	5%	20%	-	-	5%	5%	-	20%	-
NON VCT WORK									
Non-VCT work %	-	-	-	-	-		-	5%	
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Years in venture capital	22	27	8	3	14	29	18	31	3
Years involved with VCTs	11	5	9	3	11	11	9	11	3
Years with current team	14	5	5	3	14	11	9	11	1

We would normally assume that on average 20% of the VCT unquoted portfolios need to be re-invested each year following realisations (based on the average time to exit from Table 3 of 4.27 years rounded up to five years). However we recognise that the next two to three years look as if they will see less exit activity in the private equity arena and so assume a lower rate of reinvestment of only 10% per annum and this would add roughly another £10m (total funds under management is £121m, 80% being the investment level required gives £97m and 10% of that is £10m). The figure could be lower than this as some of the exit value will be profit which will be paid out as dividends.

So the annual amount that we think the team could under our assumptions need to invest is £44m (£29m from funds awaiting investment, £5m from this fund raising and reinvestment of exits at £10m per year).

Based on industry averages, our view is that each investment team member can transact around three deals per year. The average deal size of Matrix deals is £4m (source Matrix).

On our assumptions this activity converts to a potential annual investing rate for the team of about £75m (6.3 man years times three deals per year times average deal size of £4m).

This compares favourably to our computed annual investment requirement of £44m.

Tax Efficient Review Team/Deal Flow rating: 17 out of 20

Costs

Initial costs are 5.5% including commission to introducers of 2.25%. Trail commission is paid annually at 0.375% of the offer price up to a maximum of 2.25%.

Running costs are capped at between 3.25 - 3.6% of the net asset value of the funds. The performance incentives are each slightly different but based around 20% of the excess above 6p, of the annual dividends paid to shareholders. The performance fee will only be paid if the NAV per Share over the year relating to payment

has remained at the equivalent of the initial subscription price of 100p per Share. The performance fee will be paid annually, with any cumulative shortfalls below the 6p threshold having to be made up in later years. This is a tough incentive to achieve.
Tax Efficient Review Cost rating: 8 out of 10

Conclusion This is a linked top up issue of £21 million into three Matrix advised VCTs. Each VCT has a portfolio of generalist companies aiming to generate an income stream and capital growth for investors. To achieve these goals the manager has a focus on structuring investments to back MBOs of established larger, profitable and cash generative businesses.

Matrix is a generalist VCT manager that has stuck to its MBO investment strategy. With this issue, they have sought to refine their offer to increase their appeal to investors, including those investors attracted to Planned Exit offers. The key elements are an emphasis on their lower risk investment strategy, target minimum 4% annual dividend payments and active buy back policy at a discount of 10% or less. The Boards have decreased the average discount to net asset value in the past year from over 30% to around 11% to help provide liquidity.

The manager is well resourced and has one of the larger and most experienced teams in VCT management. There is evidence of a good long term performance through their portion of the original Trivest VCT and the performance of all their fundraisings from inception in 2004 does indicate superior peer performance and lower risk.

The offer sees investors buying into a large asset base of almost £100m across the three VCTs. Our one concern is that the VCTs have a relatively high level of liquidity with an inevitable degree of cash drag in periods of lower interest rates. Ideally, we would have liked to see Matrix having invested a further £10m before coming back to market. That said, the manager expects to complete several more new investments during the fund raising period and is also keen to stress the importance of this strong liquidity in supporting its VCTs' buy back and discount commitments.

This is a large and well-structured offer from Matrix and we see strong evidence of lower risk and good past performance. There is an early investment incentive of 1.5% in extra shares for applications received by 17 January 2011. This is paid for by the Manager.
Tax Efficient Review rating: 83 out of 100

Table 5: Income & Growth VCT holdings as at 30 September 2010 Source: MPEP

Investee name	Amount invested	Current Value	Date of first investment	Syndi-cated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method
ATG Media Holdings	1000	1377	03/10/2008	N	N	Ords/Prefs/ Loanstock	Media & Entertainment	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Aust Construction Investors	1000	1000	30/09/2008	N	N	Ords/Loanstock	Construction & Building Materials	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Backbarrow	1000	1000	25/09/2010	N	N	Ords/Loanstock	Food Producers & Processors	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Bladon Castle Management	1000	1000	28/09/2010	N	N	Ords/Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Blaze Signs	1338	242	28/04/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 76%-100%
British International Holdings	591	796	16/06/2006	Y	MPEP	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Brookerpaks	55	498	29/10/2002	N	N	Ords/Prefs/ Loanstock	Food Producers & Processors	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Campden Media	335	126	18/01/2006	Y	MPEP	Ords/Loanstock	Media & Entertainment	Mature stage, MBO	Write-down 26%-50%
CB Imports	1000	1199	10/10/2009	N	N	Ords/Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
DiGiCo Europe	326	1202	06/07/2007	N	N	Ords/Prefs/ Loanstock	Electronic & Electrical Equipment	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Duncary 8	1000	684	26/09/2002	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 26%-50%
Focus Pharma Holdings	517	708	19/10/2007	N	N	Ords/Prefs/ Loanstock	Pharmaceuticals & Biotechnology	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Fullfield	1000	1000	24/09/2010	N	N	Ords/Loanstock	Food Producers & Processors	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
HWA	456	0	07/11/2002	N	N	Ords/Loanstock	Construction & Building Materials	Mature stage, MBO	Write-down 76%-100%
Iglu.com Holidays	1000	1616	18/12/2009	N	N	Ords/Prefs/ Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Image Source Group	305	1399	27/06/2003	N	N	Ords/Prefs/ Loanstock	Media & Entertainment	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Letraset	650	214	19/06/2001	N	N	Ords/Loanstock	Media & Entertainment	Mature stage, MBO	Write-down 26%-50%
Monsal Holdings	426	768	05/12/2007	N	N	Ords/Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Plastic Surgeon Holdings	406	101	10/04/2008	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 51%-75%

Table 5: Income & Growth VCT holdings as at 30 September 2010 Source: MPEP

Investee name	Amount invested	Current Value	Date of first investment	Syndi-cated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method
PXP Holdings	920	0	20/12/2006	N	N	Ords/Prefs/ Loanstock	Construction & Building Materials	Mature stage, MBO	Write-down 76%-100%
Racoon International Holdings	551	244	22/12/2006	N	N	Ords/Prefs/ Loanstock	Personal Care & Household Products	Mature stage, MBO	Write-down 26%-50%
Rusland Management	1000	1000	29/09/2010	N	N	Ords/Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Torvar	1000	1000	27/09/2010	N	N	Ords/Loanstock	Software & Computer Services	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Vectair	216	367	13/01/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
VSI	246	778	04/04/2006	N	N	Ords/Prefs/ Loanstock	Software & Computer Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Westway Services Holdings (2010)	422	884	18/06/2009	Y	Maven	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Youngman	1000	701	01/10/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 26%-50%
TOTALS	£19.8m	£22.9m							

Table 6: Matrix Income & Growth 4 VCT holdings as at 30 September 2010 Source: MPEP

Investee name	Amount invested	Current Value	Date of first investment	Syndi-cated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method
Bladon Castle Management	1000	1000	26/01/2010	N	N	Ords/Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Blaze Signs	610	152	28/04/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 76%-100%
Box-It Data Management	26	0	25/02/2010	N	N	Loanstock	Support Services	Later Stage, Pre-flotation	Write-down 76%-100%
British International Holdings	295	342	16/06/2006	Y	MPEP	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Campden Media	153	54	18/01/2006	Y	MPEP	Ords/Loanstock	Media & Entertainment	Mature stage, MBO	Write-down 26%-50%
CB Imports	1000	1000	10/10/2009	N	N	Ords/Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
DiGiCo Europe	496	1689	06/07/2007	N	N	Ords/Prefs/ Loanstock	Electronic & Electrical Equipment	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Duncary 8	200	121	26/09/2002	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 26%-50%
Focus Pharma Holdings	772	1033	19/10/2007	N	N	Ords/Prefs/ Loanstock	Pharmaceuticals & Biotechnology	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Fullfield	1000	1000	25/01/2010	N	N	Ords/Loanstock	Food Producers & Processors	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment

Table 6: Matrix Income & Growth 4 VCT holdings as at 30 September 2010 Source: MPEP

Investee name	Amount invested	Current Value	Date of first investment	Syndi-cated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method
Higher Nature	500	651	18/11/1999	N	N	Ords/Loanstock	Construction & Building Materials	Mature stage, MBO	Write-down 76%-100%
Iglu.com Holidays	878	878	18/12/2009	N	N	Ords/Prefs/ Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Letraset	150	20	19/06/2001	N	N	Ords/Loanstock	Media & Entertainment	Mature stage, MBO	Write-down 26%-50%
Monsal Holdings	636	1148	05/12/2007	N	N	Ords/Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Plastic Surgeon Holdings	459	115	10/04/2008	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 51%-75%
PXP Holdings	679	0	20/12/2006	N	N	Ords/Prefs/ Loanstock	Construction & Building Materials	Mature stage, MBO	Write-down 76%-100%
Racoon International Holdings	407	196	22/12/2006	N	N	Ords/Prefs/ Loanstock	Personal Care & Household Products	Mature stage, MBO	Write-down 26%-50%
Rusland Management	1000	1000	29/01/2010	N	N	Ords/Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Torvar	1000	1000	27/01/2010	N	N	Ords/Loanstock	Software & Computer Services	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Vanir Consultants	1000	1000	28/01/2010	N	N	Ords/Loanstock	Software & Computer Services	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Vectair	100	169	13/01/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
VSI	112	336	04/04/2006	N	N	Ords/Prefs/ Loanstock	Software & Computer Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Westway Services Holdings (2010)	328	660	18/06/2009	Y	Maven	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Youngman	500	350	01/10/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 26%-50%
TOTALS	£15.3m	£161m							

Table 7: Matrix Income & Growth VCT holdings as at 30 September 2010 Source: MPEP									
Investee name	**Amount invested**	**Current Value**	**Date of first investment**	**Syndi-cated**	**Lead investor**	**Structure of investment**	**Industry sector**	**Financing stage**	**Valuation method**
Aust Construction Investors	2000	2000	30/09/2008	N	N	Ords/ Loanstock	Construction & Building Materials	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Bladon Castle Management	1000	1000	18/12/2009	N	N	Ords/ Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Blaze Signs	1953	353	28/04/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 76%-100%
British International Holdings	2068	2787	16/06/2006	Y	MPEP	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Campden Media	975	367	18/01/2006	Y	MPEP	Ords/ Loanstock	Media & Entertainment	Mature stage, MBO	Write-down 26%-50%
CB Imports	2000	2399	10/10/2009	N	N	Ords/ Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
DiGiCo Europe	963	3554	06/07/2007	N	N	Ords/Prefs/ Loanstock	Electronic & Electrical Equipment	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Focus Pharma Holdings	1250	1712	19/10/2007	N	N	Ords/Prefs/ Loanstock	Pharmaceuticals & Biotechnology	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Fullfield	1000	1000	16/12/2008	N	N	Ords/ Loanstock	Food Producers & Processors	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Iglu.com Holidays	1422	2295	18/12/2009	N	N	Ords/Prefs/ Loanstock	General Retailers	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Monsal Holdings	1174	2120	05/12/2007	N	N	Ords/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Plastic Surgeon Holdings	743	186	10/04/2008	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 51%-75%
PXP Holdings	2327	0	20/12/2006	N	N	Ords/Prefs/ Loanstock	Construction & Building Materials	Mature stage, MBO	Write-down 76%-100%

Table 7: Matrix Income & Growth VCT holdings as at 30 September 2010 Source: MPEP									
Investee name	**Amount invested**	**Current Value**	**Date of first investment**	**Syndi-cated**	**Lead investor**	**Structure of investment**	**Industry sector**	**Financing stage**	**Valuation method**
Racoon International Holdings	1664	736	22/12/2006	N	N	Ords/Prefs/ Loanstock	Personal Care & Household Products	Mature stage, MBO	Write-down 26%-50%
Vanir Consultants	1000	1000	31/10/2008	N	N	Ords/ Loanstock	Software & Computer Services	Mature stage, MBO	Uplift in value, manager valuation based on price of recent investment
Vectair	560	951	13/01/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
VSI	534	1692	04/04/2006	N	N	Ords/Prefs/ Loanstock	Software & Computer Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Westway Services Holdings (2010)	456	956	18/06/2009	Y	Maven	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Uplift in value, manager valuation based on earnings multiple
Youngman	1000	701	01/10/2006	N	N	Ords/Prefs/ Loanstock	Support Services	Mature stage, MBO	Write-down 26%-50%
TOTALS	£26.7m	£29.1m							

Edge Performance VCT G share

Type	Limited Life
Size	£10m aggregate, extendable to £30m
Manager	Edge Investment Management Limited
Sponsor	Howard Kennedy
Promoter	RAM Capital Partners LLP
Focus	Entertainment industry
Funds initially invested	Bonds and cash
Minimum investment	£5,000
Minimum subscription	None
Closing dates	5 April 2011/30 June 2011
Commission	3% or 2.25% with 0.375% trail for up to 4 years

Strategy

Edge Performance VCT is returning to the market to raise further funds through a G share issue and the offerings have evolved as follows:

- Overall, the investment mandate remains the same - the entertainment industry, including the live events business
- The directors, investment managers and associated persons have now invested approaching £1.25m personally into the VCT
- The qualifying portion of the C, D and E share funds is now fully invested or committed
- Suitable investment opportunities have been identified for all of the qualifying portion of the F share fund
- Edge retains capital guarantees from exclusive contracts with named counterparties effectively underpinning the investor's entire net of tax investment
- Edge has paid or declared three dividends, each of 7p per share, to its C Share holders, two dividends, each of 7p per share, to its D Share holders and a maiden E Share dividend of 7p per share, providing each share class with a dividend flow equivalent to 10% of an investor's net of tax cost of investment.
- Edge disposed of the Ordinary share class assets and returned to the Ordinary shareholders their entire capital in June 2009, three years after launch, and exceeded by a significant margin the targeted return

The management of each of the C, D, E, F and G funds will seek to combine capital protection with realising a higher return - the targeted tax-free return for investors is 160p per 100p invested (equivalent to a return of 130p per 70p invested net of income tax). The investment strategy, which will also feature investment in events companies which have made event licensing arrangements with established pro-

Table 1 Edge Performance VCT Summary of Net Assets and Amounts Invested as at 15 November 2010

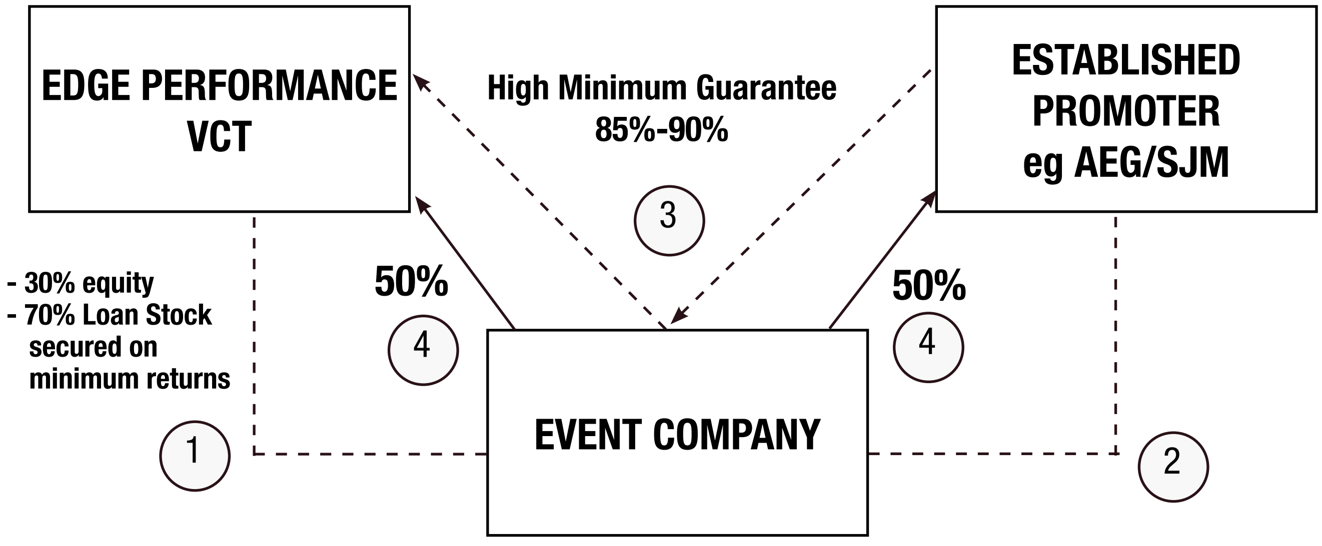
Data source Alasdair George November 2010 (all amounts in £000)

Share Pool	Net Assets *	70% Threshold	Amount Invested **	Amount Committed or Subject to Option	Under Negotiation or Identified	Balance Remaining To Invest
C	9,062	6,343	7,772	0	0	0
D	15,083	10,558	9,841	1,000	0	0
E	8,292	5,804	0	6,000	0	0
F	27,679	19,375	0	1,500	16,500	1,375

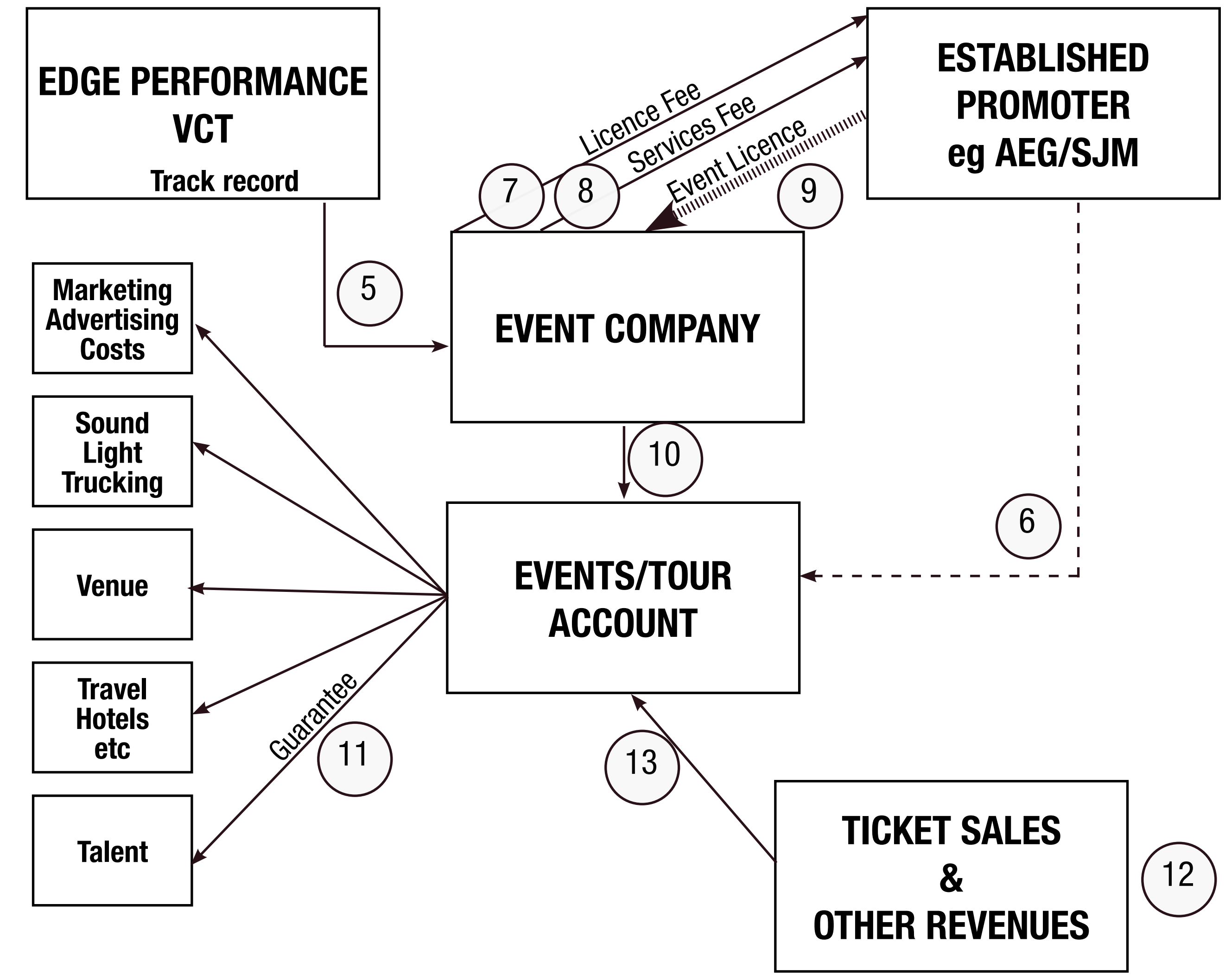
* Net assets figure is per 31/8/10 half-year accounts, less cost of dividend paid to C, D & E classes on 15/11/10

** Cost of investment

DIAGRAM 1: EDGE PERFORMANCE VCT - INVESTMENT DIAGRAM



EDGE PERFORMANCE VCT - HOW THE BUSINESS WORKS



Source: Tax Efficient Review diagram based upon the Edge Performance VCT prospectus

Table 2: Matrix of individual responsibilities - EDGE INVESTMENT MANAGEMENT Data source Alasdair George November 2010					
	David Glick	Gordon Power	Kate Glick	Harvey Goldsmith	Alasdair George
VCT RELATED WORK					
Deal origination %	25%			10%	10%
General enquiries %	5%	5%	20%		5%
New deal doing %	25%	20%	15%	10%	15%
Investee board seats No.	1				11
Sitting on Boards/Monitoring %	15%	10%	30%	5%	10%
Fund raising %	10%	20%			15%
Internal issues %		5%	10%		
Exits %			5%		5%
NON VCT WORK					
Non-VCT work %	20%	40%	20%	75%	40%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**
Years in venture capital	5	26	5	5	4
Years involved with VCTs	5	26	5	5	4
Years with current team	6	6	5	5	4

moters, will target a blend of investments amongst those offering high minimum guaranteed returns or other capital protection, with little of investors' capital at risk, and those where the potential for significantly higher returns justifies a lower level of capital protection.

It is usual for C, D, E, F and G share classes to convert at some point in the future, usually when fully invested, into ordinary shares. The Edge Performance VCT is slightly different as the expectation is that the holders of the C, D, E, and G share classes will wish to cash in after their minimum holding period is up. To facilitate this, the plan is for C shareholders to be offered an exit or conversion into D shares after five years, for D shareholders to be offered an exit or conversion into E shares after five years, for E shareholders to be offered an exit or conversion into F shares after five years and for F shareholders to be offered an exit or conversion into G shares after five years. G shareholders after five years should be offered an exit or a conversion into the next class of shares (assuming there is one), and if there is no next class of shares, then the G shareholders will be offered the opportunity to wind the company up after five years.

Edge intends to invest the G share funds initially (until they are needed for Qualifying Investments), and up to 30% over the life of the G share fund in appropriate investment grade financial instruments through one or more prominent fund managers but chosen by Gordon Power of Edge. The fund managers which have been used are Rothschild, UBS, Heartwood Wealth Management and JP Morgan.

Whilst a suitable level of return will be sought from such investments, the Company will continue, for as long as it feels it appropriate, to regard capital preservation as an important consideration. Currently the return is around 3.8%

The way the VCT will invest is in the upper portion of Diagram 1 (numbers refer to the same number on the diagram).

1. The manager intends to invest in a combination of low-risk, relatively low return investments which underpin the investors' net of tax capital investment, and some higher risk investments where the potential for significantly higher returns

justifies a lower level of capital protection. The Edge VCT G share class will be invested in a portfolio of businesses, including in events companies each of which will promote a wide and varied slate of events such as music, theatre, sports, festivals, family shows and other live events over the life of the VCT investment (usually up to 5 years). The investment will normally be in the form of loan stock (currently max 70%) and equity (currently min 30%). The VCT will typically invest between £1m and £2m in each company in return for up to 50% of the shares. The VCT typically receives a return from these investments in events companies under specially structured secured loan notes where all the return of capital (both loan and equity and in some cases a profit share) is received back through the secured loan notes and any additional profit is received back through the equity shares. This is tax efficient as coupon payments calculated as a percentage of profit are tax free in the hands of the receiving company.

2. In the case of investments in events companies, the promoter will receive up to 50% of the shares in the investee company but will not generally invest any money.
3. Instead the promoter will provide a minimum return covenant. Under this, the returns will be underpinned (again over the life of the VCT's investment) by event licensing arrangements. Through arrangements which Edge Performance will enter into with established promoters (such as the exclusive agreements it has entered into with SJM and AEG Live UK), investors in the Company will be afforded protection of their entire net of tax capital investment (70p). The manager is aiming for a targeted minimum return of 160p for every 100p invested (equivalent to a return of 130p per 70p invested net of income tax). backed up by various counterparty undertakings or other form of capital protection, but this is not guaranteed. It is not a forecast; it is a minimum target set by the VCT.
4. Profits of the events companies will generally be shared 50:50 between the VCT and the promoter after the VCT has recouped all its investment (both loan and equity and in some cases a profit share). However this is profit of the events company, not the profit on the event. The split of the event profit between the events company and the promoter will be a function of each deal and may heavily favour the promoter unless the VCT is taking on some risk (see point 13 below).

The events companies will work alongside established businesses, such as promoters, which are "good" for a guaranteed minimum guaranteed return and have expertise, infrastructure, skill and know how in the promotion or co-promotion of live events such as music, theatre, sports, festivals, family shows etc.

The VCT will only do so where there is in place an agreement for the VCT to recoup its investment in priority position. A typical investment in an events company could look as follows (again numbers refer to Diagram 1):

5. The VCT is financing, through a mixture of debt and equity, events companies.
6. These will work alongside an established promoter.
7. The events company may pay modest licence fees quarterly to the promoters.
8. Services fees will also be paid in return for the promoter allowing use of their infrastructure.
9. In return for the licence fees the promoter has an obligation to provide event promotion opportunities and will license to the events companies those shows/events which the events company selects.
10. The events company will finance the event/tour through an Events/Tour Account.
11. The main cost is usually the cost of the talent who will receive a guaranteed amount in return for a commitment to turn up on certain dates and perform. This

payment is recoupable from event receipts.

12. The main revenue source is ticket sales but there are likely to be other secondary sources.
13. The events company will usually receive 100% of income until break-even.

Once the events are in profit, in relation to the very low-risk investments, the promoter will take the lion's share of that profit leaving the events company with returns which are likely to be a little in excess of commercial bank interest rates, in return for the low level of risk taken. For the higher risk investments, because the VCT will be taking most of the risk it will be taking a significant portion of the profits, ie the VCT will take the lion's share.

The profile of the event promotion business is such that only a portion of a promoter's funds are, in practical terms, at risk, and events companies in which the VCT invests will carry insurance against cancellation.

From the established promoters' (and other similar industrial partners') viewpoint the structure is a "no-brainer". The promoter was going to finance the event probably through a combination of its own resources and bank borrowing (which will need to be repaid with interest and which is increasingly difficult to source). The VCT takes the place of the bank.

Over the five year period the aim of the VCT is to provide downside protection on the net 70p invested after the 30p tax rebate.

Tax Efficient Review Strategy rating: 27 out of 30

Return potential

We see the Edge Performance VCT as having the following characteristics:

1. Upside Potential

Downside protection does not, we believe, come with significant upside. Edge has devised a structure to provide downside protection on the investor's net of tax capital investment without needing to utilise all its funds to do this. Accordingly, a significant portion of funds raised can be employed in a manner where the level of protection sought is reduced, without diminishing the protection on the investors' net of tax capital investment. In this way, Edge claims that it has found a way to potentially leverage a significant upside for investors. Edge refer to their approach as a "blended investment strategy" which aims to balance investments with a higher level of guaranteed capital protection with others in which lower guaranteed capital protection offers significantly higher potential returns.

2. Downside Protection

The manager says that its existing relationship with two major promoters (SJM and AEG) under which Edge are the exclusive providers of VCT and EIS funding, provides sufficient deal flow to have all VCT funds fully invested within the requisite statutory timeframe. We believe that downside protection should be relatively strong as it is founded upon:

- 30% of VCT capital held in fixed income securities and cash or cash equivalents (see below),
- typically 70% of the Qualifying Investments (ie 49% of VCT capital) in debt instruments
- Edge secures these loans with third party guarantees from major established businesses, with assets far greater than the maximum £7m of gross assets upon which most other VCTs seek security,

In addition to the 30% tax rebate Edge VCT will retain 30% of each £1.00 invested in fixed income investments or cash/cash equivalents. The intention of the manager (not a promise, projection or commitment) is to return this to investors as soon as the regulations permit with the stated objective of paying dividends of up to 7p per annum after each of the first 4 years. The VCT expects the investments to yield a positive return and are targeting in excess of £1.30 for each 70p (net of tax relief) invested. This would mean for 100p invested an investor would receive 30p up front as tax relief, up to 30p in tax free dividends over the first 4 years of the VCTs' life and a further 100p or more after 5 years.

Edge's approach to investment security is one of securing minimum cumulative aggregate returns. As an example, the events licensing agreements between the events companies and the counterparty entail a guarantee from the counterparty that, at the end of the term of the events licensing agreement the cumulative aggregate return across all the Events Companies covered by the deal with that counterparty from all events during such period will be not less than a sum equal to 85% of the aggregate amount of Edge Performance's investment in such Events Companies in shares and loan stock. This approach is expected to continue into the future.

3. Quality of Exit

The investment arrangements have an in-built liquidity event, so that shortly after 5 years from launch of the funds, the events companies will be sitting on cash, including all minimum guaranteed returns. Edge Performance intends to invest in events companies through a combination of equity and loan stock. The nature of the loan stock and attendant coupon is that Edge will be entitled to receive under the loan note, in priority to any distributions to shareholders, 100% of its total investment (ie both its equity and loan capital and possibly profit share on some deals). Edge utilises ratcheted interest rates to increase returns and to incentivise events companies to pay off the loans early. In May and June 2009, this mechanism was utilised to secure the return to the VCT of its Ordinary share investments. Edge Performance achieved these disposals without simply selling the fund's shareholdings to a subsequent share class or subsequent VCT, as was the case with several other Limited Life funds. It is anticipated that the counterparties to event licensing agreements may be interested in acquiring all events companies at the end of the event licensing arrangements ie on or shortly after 5 years from launch of the fund. In addition the board intends to allow shareholders to decide whether to exit or convert shortly after 5 years from launch. This may be attractive to shareholders as it permits the return of 100% of their cash, including any gains, without any complex share buy-backs or the attendant discounts to net asset value that these always entail, and without the costs involved in a winding-up.

4. Commercial Risk

As a result of the event licensing arrangements which should protect investors' entire net of tax 70p capital investment, the commercial risk is essentially only the quality of the guarantees from the counter-parties to make contracted payments in the event that certain events companies make losses.

Tax Efficient Review Track Record rating: 31 out of 40

Deal Flow/Manager

The VCT manager has long experience in this sector and anticipates sufficient deal flow from its existing exclusive relationships with SJM and AEG and other relationships within the entertainment industry to invest all the funds raised at maximum subscription.

The manager is Edge Investment Management authorised under the Financial Services and Markets Act.

Table 2 contains details of the investment committee which is made up of Gordon Power (57, chairman, founder of ProVen Private Equity which is now Beringea and long background in private equity), David Glick (47 founder of the Edge Group, a specialist independent group advising and investing in the media & entertainment sector, co-founder of Eatons, formerly a partner in Mishcon de Reya solicitors), Harvey Goldsmith (64, well known music industry promoter and producer behind Live Aid &

Live 8), Alasdair George (48, a qualified (non-practising) solicitor who has 25 years' experience of legal, strategic, commercial and operational management in the entertainment industry with Sony Music amongst others) and Kate Glick (40, a chartered accountant, chartered tax adviser and member of the Securities & Investment Institute who is married to David Glick).

The VCT directors are Sir Robin Miller (69, chairman, ex chairman and chief executive of EMAP, ex-board member of HMV and Channel 4), Michael Eaton (68, Eric Clapton's manager, ex-partner at law firm Stephenson Harwood and co-founder of entertainment law firm Eatons which merged with Mishcon de Reya), David Glick (47 – as above), Julian Paul (65, deputy chairman of Eagle Rock Entertainment) and Frank Presland (66, chief executive of Rocket Music Group, manager of Elton John, Lily Allen and James Blunt, and former CEO of The Sanctuary Group).

This management team and board have now been together since the VCT's inception and have proved their original strategy of creating a diverse range of investments across many events, with a significant underpinning of value. The non alignment to stock markets has benefited the net asset performance over the past twelve months and is likely to hold it in good stead in the coming period, with the added benefit that the first three classes of shares have each returned cash dividends to investors in accordance with the strategy set out by its management team.

In addition to the members of the investment committee, the Manager has strengthened its team with an additional investment personnel and we are told by the Manager that further additional hires are planned.

Tax Efficient Review Team/Deal Flow rating: 18 out of 20

Costs

Initial costs are fixed at 5.5%. Commission payable to introducers is either 3% or 2.25% with trail of 0.375% for up to four years based on the subscription value of the shares not net asset value. Annual running costs are capped at 3% of net asset value and anticipated to be less than 2.5% at maximum subscription, which isone of the lowest levels of running costs in the VCT industry.

The Company has established an incentive scheme aimed at aligning with shareholder interests and at encouraging the maximisation of returns and their early remittance to Shareholders. Under this the manager may receive a performance-related incentive fee from the Company of 19% of cumulative cash (as opposed to net asset value) returned to investors by the Company in excess of 100p per Share per 70p invested (net of income tax), increasing to 29% of any returns beyond 120p per 70p invested, so the manager gets no incentive fee until the investor has received his 70p net of tax investment plus at least a further 30p, in cash, equal to a cash return of a minimum of 1.4 times the investor's initial net of tax investment. In addition, there will be a performance fee of 1% (calculated on the same basis as the manager's performance fee) which will be payable to the Company's chairman.

Tax Efficient Review Cost rating: 8 out of 10

Conclusion

Edge Performance VCT is one of a large number of VCTs that have appeared over the last few years which are designed to appeal to investors looking for a shorter term investment linked with some form of asset backing and early exit. We classify these VCTs as Limited Life.

Edge aims to invest in a portfolio of entertainment companies, including events companies each of which will promote a wide and varied slate of events such as music, theatre, sports, festivals, family shows and other live events over the life of the VCT's investment (usually up to 5 years) whose returns will be underpinned (again over the life of the VCT's investment) by event licensing arrangements.

Edge will aim to convert to cash after five years and has a liquidity event built in to its model, which has already been seen in operation in the realisation of its Ordinary share investment portfolio. Where Intellectual Property exists in an events company investment, it will be sold but the investment model is not dependent upon building IP value in events companies.

Tax Efficient Review rating: 84 out of 100

Table Edge Performance VCT plc Summary of VCT Qualifying Investments as at 19 October 2010
All valuations as at 31 August 2010, unless otherwise indicated by **

C Share Pool

Cost of Investment £000	Date Of Investment	Valuation £000	Basis of Valuation
MK Ultrasound Limited David Dorrell, a director and shareholder of MK Ultrasound, is a veteran of the music industry with successes stretching over three decades. He started his career as a journalist at the New Musical Express in the early 1980s where he championed acts as diverse as The Smiths and Sade. In 1987, as a member of chart-toppers MARRS, he was responsible the multi-million selling dance music anthem 'Pump Up The Volume'. The 1990s brought success in the studio, when he produced and remixed recordings for acts ranging from U2 to De La Soul, Janet Jackson to Tina Turner. He discovered and managed Bush, who became one of the most successful bands of the 1990s with over 10 million global sales. With Dirty Vegas debuting in the Billboard Top Ten in 2002, Dorrell completed a hat-trick with platinum acts across three decades in the US, and global record sales of over twenty million. In 2004, he took on the management of Pet Shop Boys until late 2008. Since incorporation, MK Ultrasound has promoted or co-promoted a diverse slate of events, including concert tours by New Kids On The Block, Pussycat Dolls, Chris Cornell and Franz Ferdinand. In January 2010, the company co-promoted the successful UK national tour of Total Nonstop Action (TNA) Wrestling.			
£1,000 £1,000	01/04/2008 25/02/2010	£1,912	NAV
Saravid Promotions Limited Daniel Lycett, is the founding director and shareholder of Saravid Promotions. Joining the music industry in 1989 at the tender age of 18, Lycett has worked in a range of roles for some of the most notable companies in the industry's independent sector. Following a stint at BBC Radio 1, Lycett moved to a marketing and promotion position at PWL Records, home to the 'Hit Factory' production trio Stock Aitken & Waterman, and at the time the most successful independent record label and production company in the UK business, where he worked with artists such as Kylie Minogue, Jason Donovan and 2 Unlimited. In 1995, he joined the newly opened London office of German independent label Edel Records, where he became the youngest managing director of a UK record label, achieving a string of successes with Disney/Hollywood Records soundtracks, the Baha Men ("Who Let The Dogs Out") and German dance act Scooter. Since 2004, Lycett has operated on a freelance basis, working with, amongst others, 1960s superstar Donovan and US hip hop legends Wu Tang Clan. Following the loss sustained by Saravid Promotions on the run of "Monkey – Journey To The West" at the end of 2008, the company has since successfully undertaken the co-promotion of the 2009 UK tour by Beyonce, and with the forthcoming tour by Alicia Keys also anticipated to be profitable. Saravid Promotions has the benefit of an events licensing arrangement with AEG Live, under which live event promotion opportunities will be offered to Saravid Promotions until June 2012. The company will therefore continue to have the opportunity to recover its position following the loss on "Monkey – Journey To The West". If the company is unable to recover its position, it also has the benefit of a contractual guarantee from AEG as to the minimum return to be earned by the company over that period.			
£1,000 £1,000	16/10/2008 28/05/2009	£1,497	NAV
B & W Events Limited The founder of B & W Events is Andrew Wilkinson. A member of the Rolling Stones management team until 1987, Andrew then set up Kingstreet Tours, initially to produce concert tours by existing management clients such as the Rolling Stones and Pink Floyd. Subsequently, Andrew became manager of Bill Wyman, whilst at the same time continuing to develop the speciality of concert tour management and production. Since its formation, Kingstreet has produced tours for acts such as Billy Joel, Elton John, Genesis, Phil Collins, Robbie Williams, the Spice Girls, Sting and Whitney Houston. B & W Events promoted the joint concerts in February 2010 at London's O2 Arena by legendary performers Eric Clapton and Jeff Beck, marking the first occasion in many years that these two giants of the music world performed together in the UK.			
£1,000	30/09/2009	£1,000	Cost
TRP 2009 Limited Paul Burger, who is the founding director and shareholder of the company, has more than 30 years' experience within the music industry, including as Chairman of Sony Music Canada, Chairman of Sony Music UK, President of Sony Music Europe and, most recently, as founder of Soho Artists, a boutique artist management company representing both mainstream and world music artists			
£1,000	24/02/2010	£1,000	Cost
Coolabi plc The business of Coolabi plc is that of acquisition and exploitation of a range of different intellectual property portfolios, including Purple Ronnie, Scarlett & Crimson, Dead Gorgeous and The Large Family. 2009 saw expansion and growth, with the acquisition of rights to the Ambler, Innes and Creasey literary estates, and the extension of distribution agreements for Bagpuss, Clangers & Ivor the Engine. The company's results for the period ended 31st December 2009 give the Manager confidence that the management team are delivering on the strategy they have set out. According to the management team, 2009 was expected to be a year of transformation during which growth and profitability were to be achieved, and they have succeeded on both fronts. The portfolio consists of a number of properties at different stages of development, some of which are expected to bear fruit in 2010, and hence the expectation is that the company will continue to deliver growth and increasing profits in the coming year. Management have stated that the trading in the first quarter of 2010 has been in line with their expectations and because of the timing of projects therefore they expect the second half of the year to be stronger than the first half.			
£250	13/11/2009	£188	Bid Price
Global Dawn Limited In 2008 and 2009, Edge Performance made a series of investments in Enrich Social Productions Limited, a company which develops new multi-channel; entertainment formats, and the technical platforms powering those formats. In August 2010, the business of Enrich Social Productions was acquired by Global Dawn as part of a broader restructuring and refinancing process. As part of that process, Edge Performance made a further investment in Global Dawn, bringing its total investment in the business since 2008 to £2.945 million, and increasing Edge Performance's equity holding to just under 43.5%. Global Dawn has revenue-generating commercial arrangements already in place with Tesco, Pepsi and Unilever, and with the prospect in the near future of deals with similarly strong counterparties. The Company's investment in Global Dawn Limited has been made in equal proportions from the C and D Share Funds			
£250 £500 £562 £160	18/12/2008 02/10/2009 18/08/2010 19/08/2010	£1,472	Cost
£7,722		**£7,069**	

Table Edge Performance VCT plc Summary of VCT Qualifying Investments as at 19 October 2010 All valuations as at 31 August 2010, unless otherwise indicated by **			
Cost of Investment **£000**	**Date Of Investment**	**Valuation** **£000**	**Basis of Valuation**
D Share Pool			
Challi Productions Limited Challi Productions Limited's founding director, Jeff Golembo has spent over 25 years in the music and entertainment business and was formerly Managing Director of MCA Records in the UK, having held senior business and commercial roles at CBS Records in Paris, New York and London and Phonogram Records in the UK. He is currently on the Board of Entertainment Media Research, a leading online music research company, and consults for a number of media clients in the UK and Africa, where he is a partner in one of the largest independent music and entertainment groups in South Africa. With the benefit of an events licensing arrangement with AEG Live, Challi productions has so far successfully promoted the UK national tour of American superstar "boyband", Backstreet Boys (November and December 2009), and appearances by DJ superstar Tiesto (Summer 2010).			
£1,000 £1,000	03/04/2009 16/10/2009	£1,924	NAV
HTM Promotions Limited HTM Promotions Limited's founding director, Paul Crockford, is an established artist management figure in the UK music business, having also been a promoter. In 1976, he became the youngest ever university social secretary in the history of the NUS, bringing acts as diverse as The Damned and Elton John to Southampton University. On leaving university, he worked briefly as a tour manager, before joining Outlaw in 1980, promoting artists such as Genesis, The Police, Eric Clapton, Tears For Fears and Dire Straits. At the same time, he took his first steps in artist management, looking after a roster which included Level 42, Judie Tzuke and Teardrop Explodes. In 1987, he established Paul Crockford Management, under whose guidance Level 42 became one of the most popular British acts of the 1980s, selling in excess of 20 million albums. Paul has also been heavily involved in the Princes Trust, having promoted shows starring some of the world's leading performers, including Paul McCartney, Mick Jagger, David Bowie, Phil Collins and Tina Turner, raising significant sums for the Trust. Paul is currently managing former Dire Straits frontman, Mark Knopfler. HTM Promotions successfully co-promoted the 2009 UK national arena tour by teen sensation Miley Cyrus.			
£1,000 £1,000	03/04/2009 16/10/2009	£1,917	NAV
Coolabi plc ** (see C share pool)			
£369	18/10/2010	£369	Cost
Granon Entertainment Limited Granon was founded by Adam Driscoll. Adam was the co-founder of MAMA Group plc, and its CEO until its sale to HMV in early 2010. Under Adam, MAMA Group expanded its business to include artist management, music publishing, live venue ownership, event ownership and event promotion and grew to a business with a market cap of £50m by the time of its sale. Granon is seeking to capitalise on the growing move by established musical performers away from traditional major record label deals, by offering them and their representatives a viable alternative route to market for their music			
£1,000	01/04/2010	£1,000	Cost
North Promotions Limited Founded by David Griffiths, who is a fellow of the Institute of Chartered Accountants and was Head of Finance of Fenchurch Insurance Brokers. He led the finance function and was successful in raising the finance for a MBO of the business from Guinness Peat Group plc and growing the business through a roll up acquisition strategy. Fenchurch went on to be one of the fastest growing UK based insurance brokers throughout the 90's. David successfully headed the team that negotiated the sale of the business in 1998; since then David has been a business angel and consultant to SMEs in the broking industry.			
£1,000	31/03/2010	£1,000	Cost
Global Dawn Limited (see C share pool)			
£250 £500 £562 £160	18/12/2008 02/10/2009 18/08/2010 19/08/2010	£1,472	Cost
South Productions Limited Founded by David Cardwell, who, from 1974 to 2004, was the CEO and then Chairman of Copyright Promotions Limited. CPL was one of the first independent licensing companies in the United Kingdom, licensing third party rights on behalf of rights owners primarily in the entertainment field. In its first year of operation, CPL acquired the television, video licensing and other ancillary media rights from the Enid Blyton Estate, subsequently packaging successful television series of Noddy, The Famous Five, etc., for the ITV network. CPL consolidated its success as the number one UK licensing agency representing, amongst others, the majority of the Hollywood studios i.e. MGM, Paramount, Sony, Twentieth Century Fox, Universal, Lucas Film etc. Major marketing and licensing programmes featured Spiderman, Mr Men, Pink Panther, Star Wars, The Simpsons, Tom & Jerry, The Flintstones, Dennis the Menace, Star Trek, Teenage Mutant Ninja Turtles and many others. The success of CPL led to them winning the International Licensing Agency Award for marketing expertise on three separate occasions.			
£1,000	31/03/2010	£1,000	Cost
Rose Promotions Limited Founded by Richard Rowe, long-serving CBS/Sony executive, including from 1991 to 2004 as global head of Sony Music Publishing (later Sony/ATV Music Publishing). On leaving Sony, Richard and Paul Russell together founded R2M Music, an independent music publishing business based in New York and the UK.			
£1,000	31/03/2010	£1,000	Cost
£9,841		**£9,682**	

Ingenious Entertainment VCT 1 & 2 "E" and "F" Share Issue

Type	Planned Exit
Size	£20m aggregate (split £10m each)
Manager	Ingenious Asset Management Limited
Sponsor	Howard Kennedy
Promoter	Ingenious Media Investments Limited
Focus	Live event promotion and entertainment content
Funds initially invested	Cash and cash equivalent instruments
Minimum investment	£3,000
Minimum subscription	£1,890,000 E Share, £1,890,000 F Share
Closing Dates	5 April 2011/ 31 August 2011
Earlybird offer	Investors subscribing for shares before 31 Jan 2011 will receive 15 additional shares for every 1,000 subscribed for. All additional shares paid for by the promoter and do not dilute later investors.
Commission	3% upfront or 2.5% upfront and 0.25% per annum for 5 years (Trail Option), paid for by the Promoter out of the 5.5% upfront fee. There is also an extra "volume" commission payment which will boost the upfront payment by 0.25% for applications received for £200,000 or more split equally between this offer and an offer for Ingenious Solar UK VCT.

Strategy

Ingenious is returning to the market to raise further funds under E share and F share issues for the two Ingenious Entertainment VCTs.

Most Planned Exit VCTs raise funds for two VCTs simultaneously and the amount raised is spread equally between the two VCTs. This offer is more complex - two VCTs (Ingenious Entertainment VCT 1 & 2) are raising funds for two share classes (the E and F share pools). Investors and their advisers have will need to decide how to split the amount invested between the E and F share pools. The amount chosen will then be split equally between E and F share pools in the two VCTs. For example, if an investor decides to invest £100,000 split £60,000 into E and £40,000 into F shares then they will end up with four share certificates: one for £30,000 Ingenious Entertainment VCT 1 E shares, one for £30,000 Ingenious Entertainment VCT 2 E shares, one for £20,000 Ingenious Entertainment VCT 1 F shares and one for £20,000 Ingenious Entertainment VCT 2 F shares.

The difference between the two share classes is in the investment approach in relation to non-qualifying investments. These differ slightly from each other and will give investors the opportunity to select between two different investment VCT strategies. The E Share class will make non-qualifying investments in low risk cash funds whereas the F Share class will place its non-qualifying investments in a balanced, multi-asset portfolio managed by Ingenious Asset Management Limited. The F share non-qualifying investments therefore are targeting higher returns than cash, and whilst Ingenious say will be managed conservatively, will have a higher risk profile than cash equivalent investments.

Help for advisers who wish to consider the F share can be found at http://www.ingeniousvcts.co.uk/entertainment-vct-e-f-share/about-entertainment-vct-e-f-share-offer.

Uniquely, Ingenious offers investors the ability to subscribe for shares by way of regular monthly instalments. For investors who may not receive cash bonuses towards the end of the tax year but want to take advantage of discounts for early investment this represents an interesting option.

Table 1: Funds under management by team managing Ingenious Entertainment VCT Data source Ingenious latest available public information October 2010		
	Net assets £m	Still to be invested £m
Ingenious Entertainment VCTs (ord shares)	17.9	3.5*
Ingenious Entertainment VCTs (C shares)	4.9	2.4
Ingenious Entertainment VCTs (D shares)	11.0	7.5
TOTAL	**£33.8m**	**£13.4m**
* Deals currently at HMRC for approval, totalling in excess of £4 million.		

Ingenious have already successfully raised £40m across the Ordinary, C and D share classes of these particular VCTs (over £100 million across all VCT's since they entered the VCT market in 2004/2005) in their first ,second and third offers which closed in July 2008 ,July 2009, and July 2010 respectively. The benefit of a further share offer is that by increasing the overall size of funds available, the VCTs will be able to make more investments and spread their fixed costs over an even larger asset base. This should result in greater economies of scale increasing overall profitability for all shareholders. As with the funds raised from the previous two offers, new funds raised under the E and F share issue will form separate capital pools.

Ingenious' investment strategy, based upon live event promotion and entertainment content, is now well established with a number of their properties maturing and becoming highly profitable. The Manager's strategy requires each Investee Company to put into place presales or similar minimum revenue arrangements covering at least 75% of the VCTs' investment. To date all minimum revenue arrangements have been completely cash backed and, across those funds that Ingenious have fully invested to date, the minimum revenues have actually averaged in excess of 80%, thereby contributing even further to the capital preservation element of the strategy.

The investment philosophy focus upon properties that will create value in the form of recurring annual profits, for example annual music festivals such as Creamfields (now the largest dance festival in the UK with a sold out 40,000 per day capacity) which could then ultimately also be sold based upon a multiple of earnings with the intention of making a significant capital return for the VCT. In addition the VCTs enjoy their share of the annual profits from the events which are retained for the benefit of the investors. There are a number of ways of exiting these investments through a full sale to a third party to sale of the VCT's share back to the partner and also the potential for the VCT to sell its annual income stream entitlement to a third party. Ingenious say that they are confident that exits will be achievable for the investments and say that they are already considering exits from their earlier Live VCTs' investments, even though the VCTs have only been running for some three and a half years. Industry comparable transactions would indicate there is some upside for shareholders in Live VCT when these exits take place.

Ingenious have stated in the prospectus that after an investee company has completed its first project or event, they are not permitted to undertake further projects which could reduce the base revenues from its first project thereby protecting the original 75% minimum revenue guarantee at all times (i.e. 75% of the 70% qualifying portion). At least 75% of the original amount invested into the investee company is protected through the cash backed minimum revenue guarantee structure. Such an approach also provides an opportunity for improving the guarantee for the VCT as in time the VCT's share of the profits of project are held (although segregated from the minimum revenues) thereby effectively increasing the cash backing. The current portfolio shows cash backing for investments at over 85% giving

Table 2: Matrix of individual responsibilities - INGENIOUS ENTERTAINMENT VCT
Data source source Ingenious October 2010 (where changed the figures for 2009/10 are in brackets)

	Patrick McKenna	**Duncan Reid**	**Paul Bedford** Note 3	**Patrick Bradley**	**Jim Reeve**	**Sebastian Speight**	**Nick Beveridge**	**Saskia Stainer-Hutchins**	**Juhi Agrawal**
VCT RELATED WORK									
Deal origination % Note 1	10%(5%)	25%(10%)	30%	10%	10%(0%)	10%	10%	10%	10%
General enquiries % Note 2									
New deal doing %			25%(30%)				20%	50%	50%
Investee board seats No.									
Sitting on Boards/Monitoring %	5%	10%	25%(30%)				30%	35%	35%
Fund raising %	5%	10%							
Internal issues %							30%(40%)	5%	5%
Exits %			10%(0%)						
NON VCT WORK									
Non-VCT work %	80%(85%)	60%(70%)	10%	90%	90%(100%)	90%	10%		
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Years in venture capital	10	10	8	10	11	6	3	0	1
Years involved with VCTs	5	5	5	5	2	6	3	Joined Sept 2010	2
Years with current team	11	11	9	8	2	6	3		1

Note 1: Ingenious has over one hundred people, across six divisions (see presentation, who are involved in deal origination. Any one of these people could potentially orginate deals for the VCT.
Note 2: These services are principally provided by Ingenious legal, finance and company secretarial departments.
Note 3: Paul Bedford leads a team of four investment professionals who devote at least 90% of their time to the VCTs (was 100% in 2009/10)

investors considerable comfort as to value and capital preservation.

The Live VCT's have completed on 10 deals and are now fully invested (see Table 3). The Ingenious Live VCTs uplifted the Net Asset Values of their investments in October 2009 and made further write ups in November 2010 on the back of cash generation in underlying portfolio companies. Ingenious consider that these VCT's form a solid template that their future funds will look to replicate.

The Ingenious management team has many years of experience in the media world ranging from live events (theatre, festival and exhibition) through to music, film and television. The Ingenious Media Group is one of the UK's largest players in both venture capital and advisory services for the UK media industry and, in the twelve years that it has been trading, has been involved in such high profile transactions as the investment into, and ultimate sale of, 19 Entertainment (American Idol and Spice Girls) and advising Robbie Williams in relation to his groundbreaking 'all rights' deal with EMI. The Ingenious team play a very active role in co-promoting or co-producing the content that they invest into as well as being very focused upon the budgeting and marketing strategies to ensure that there is the best possible chance of commercial success as well as tight fiscal control to ensure that profits are maximised at all times.

The Ingenious team will also ensure that any event that is potentially underperforming will be even more closely monitored with a view to considering whether the event should continue. One of the investments within the Live VCT's, Powderham Castle (the only one of ten to date) incurred losses for two years and it was decided not to proceed with the event, but by closely managing the downside, the VCT's only lost 12% of their investment. Ingenious believe that this mix of maximising returns for those events which are performing well, and limiting downside for those which are not, strong returns can be achieved for the investors.

The non-qualifying investments of the VCT will be managed on a discretionary basis by Ingenious Asset Management with particular emphasis on safeguarding capital. Fees for this service will be paid for out of the 1.75% annual management fee charged for running the VCT. The E share offer, the "safe" portion of the fund will be invested in a number of cash funds with a rating of at least AAAm (S&P) or Aaa/MR1 (Moody's). Ultimately the proportion of the company's assets (approximately 30 per cent.) which is not invested into qualifying investments will remain in such investments, maintaining a high level of liquidity. In response to reduced returns from cash or cash equivalent investments, Ingenious are giving investors the options of subscribing for an F share where the "safe" portion of the fund will be invested in the Ingenious Balanced Multi-asset Management Portfolio. This fund has a 6 year historic track record of returning 5.5% per annum, but is somewhat more volatile than cash or cash equivalents (see http://www.ingeniousvcts.co.uk/entertainment-vct-e-f-share/about-entertainment-vct-e-f-share-offer for details).

The Ingenious VCT's also began paying annual dividends in 2010 with payments of between 5p to 7p per share across their VCT portfolio. Ingenious have undertaken in the prospectus to maintain this policy across the life of the fund for both of the new E and F share issues.

The rationale behind the offer is to have two VCTs of equal size that can co-invest in the same target investments. In this way, although each VCT is limited to investing £1 million into a project, the maximum overall limit of £2 million per investment can be achieved should it be deemed justified The Manager's investment policy is to focus on investing in companies not only established to create and bring to market live events but also to create and exploit premium entertainment content whose returns will be underpinned by warranties or similar contractual arrangements (providing minimum levels of contractual revenues) backed up by cash collateral. The companies will be engaged in the promotion of live events (concerts, festivals, exhibitions and tours), other events such as sporting and interactive events, family shows and entertainment content which can be exploited across multiple media platforms with the intention of creating brand value that can eventually be sold on a multiple of earnings basis. Each company will engage the services of an experienced promoter or manager, and will also have access to the considerable expertise and contact networks of the Ingenious group.

Ingenious are targeting to deliver £1.17 for the E Share and £1.22 for the F share on a net cost of investment of 70p. If achieved this would represent an average annual return of 13.41% E share and 14.68% F share.

A typical investment would work as follows (see Diagram 1):

1. A new company ('newco') is set up, and will be owned 49.9% by the VCT, 49.9% by the other party and 0.2% by a charity.
2. The VCT's will cashflow the entire agreed budget.
3. The VCT funding will be introduced into the newco 70% by loan notes and 30% through the issue of share capital
4. In live events deals, the newco will enter into a co-promotion agreement with the other party to underpin the staging of the event and will focus on recurring annual events.
5. Newco needs a minimum income commitment that, during each annual cycle, it will receive income equal to a minimum of 75% of the total budget funded (or minimum revenue percentage in excess of 75% if so agreed but never less than this percentage).
6. This commitment will be underpinned through placing an amount (own funds or possibly advance revenues from ticketing, sponsorship etc) equivalent to 75%

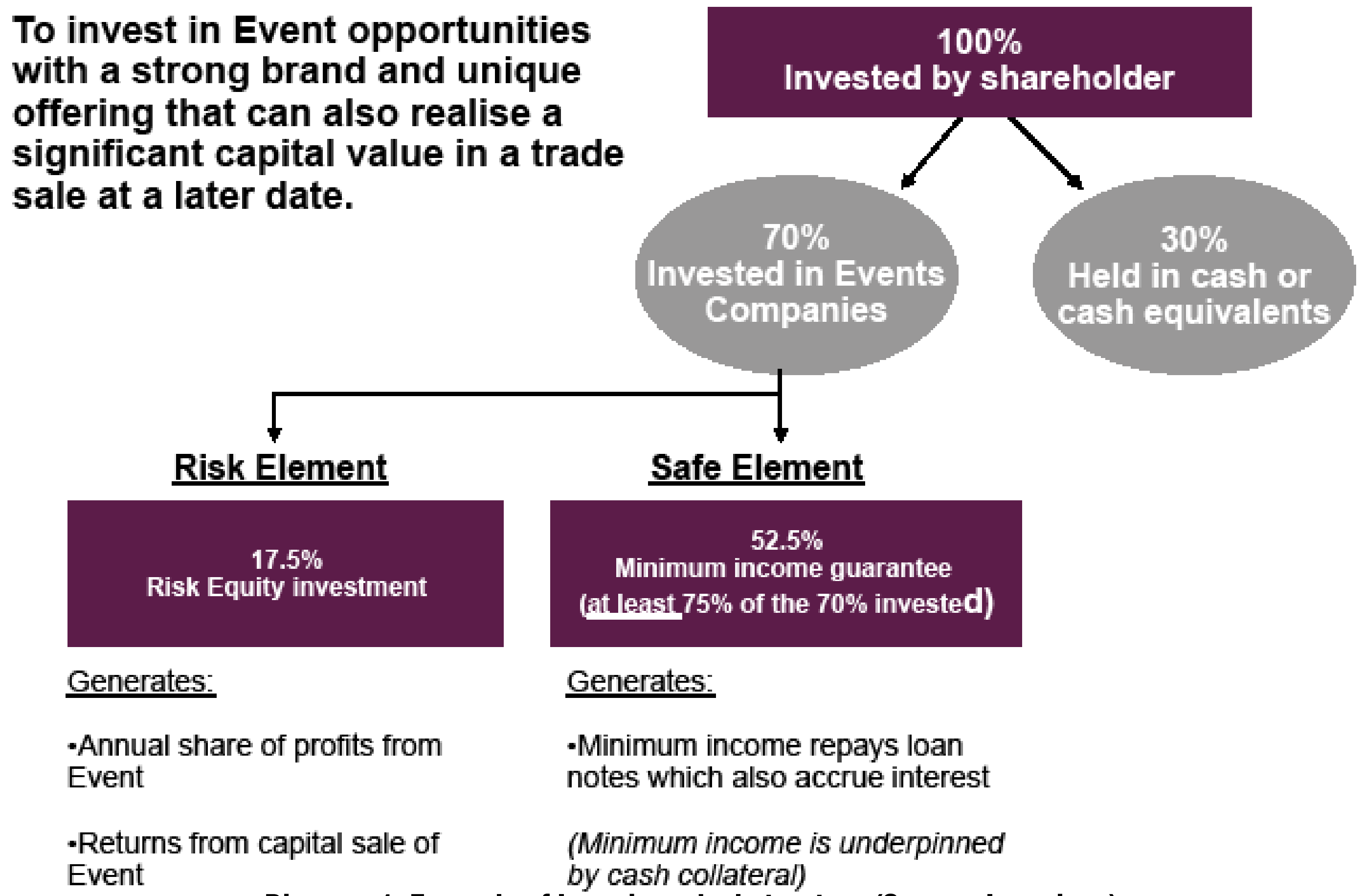


Diagram 1: Example of Ingenious deal structure (Source: Ingenious)

of any cash drawn down from the budget into a cash fund deposit account. The account will be in the name of the other party, but will be 'blocked' by newco who also take a charge over the account until funds start to flow back. In this way 75% of the VCT's investment is secure as it is backed by a physical cash deposit. Any interest accruing through the cash security will also belong to the VCT's through interest receivable on the loan note portion of their investment.

7. The event will then take place and Ingenious will receive any revenues until it has recovered its full investment (secure revenues will be released pro rata to these receipts) and should the full capital not be returned (i.e. there are event losses), then the remaining secure funds will be used to repay the VCT's for any capital shortfall. The VCT's will also either receive their share of any event profits or will also be responsible for any agreed share of losses.

The Manager has a performance related compensation which is equal to 20% of cumulative distributions in excess of £1.05 per Share.

The VCT is financing, through a mixture of debt and equity, entertainment content and live event promotion and will only do so where the investment meets the Manager's criteria for investment, which will include contractual arrangements underpinning revenues for the investee companies of at least 75% of the VCT investment (i.e. the 70% debt element of the investment plus a 5% premium). These contractual arrangements will include a charge over assets to secure loan repayments.

From the event promoters' viewpoint the structure offers downside protection and improved cashflow, in return for giving away a share of profits and capital in the event and a partner who has strong direct commercial expertise in the sector. The alternative route is that the promoter would finance the event probably through a combination of their own resources and bank borrowing (which would need to be fully secured and repaid with interest). The VCT takes the place of the bank, but goes further by providing extremely scarce risk equity.

Ingenious state that in terms of deal flow, there are plenty of opportunities in the marketplace as risk capital is in such short supply currently and they receive some eight to ten enquiries per week. Of these, roughly two receive more thorough consideration although the criteria for actually making an investment are extremely tight. There is an independent investment approval team who ensure that any investment made comes under intense independent scrutiny.

In terms of buybacks, Ingenious state in their prospectus that the discount policy is expected to be in line with other discount policies in the VCT market.

Tax Efficient Review Strategy rating: 27 out of 30

Track record The Ingenious Live VCTs, launched in 2006, are now fully invested in qualifying investments. The Live VCTs have invested in 10 deals. The portfolio of investments consists of:

Music Festivals

Creamfields - 2010 proved to be the most successful Creamfields' weekend event in its 12 year history, both in terms of record profitability and the event selling out in record time at an increased capacity with 40,000 fans in attendance for each of the two days. The Company's investment in the Sunday event led to an initial write-up in the investment in 2009 with a further write up likely in November 2010 as the event goes from strength to strength. Ingenious remain confident that Creamfields' will continue to perform strongly in the future with a further increase in capacity hoped for in 2011. It is felt that there would be a number of potential buyers in the market for an event that is performing as well as Creamfields' is currently. Cash generation is exceptionally strong, running at over 30% of capital deployed.

Underage and Field Day -The fourth year of Underage and Field Day saw the two day event continue to achieve high levels of profitability and cash generation. The combination of strong attendance across both Field Day (20,000 people) and Underage (10,000 teenagers), as well as renting the site for a third independent event (a concert by world famous DJ Tiesto) gives a mix for the weekend and the 2010 were particularly received giving the co-promoters the confidence that the weekend can push on to higher attendances and increased profitability in 2011.

80s Rewind This was the second year of the event, which was enjoyed by 40,000 people at Henley Upon Thames in Berkshire. The directors are delighted to report that profits increased dramatically in year two as the initial investment began to pay strong dividends. Given that the event is now in its second year, the investment will be positively revalued in November 2010. The directors believe that this is an event that will establish itself as a strong brand over the coming years and following the success of the Henley event, a follow on investment will be made (through the Ingenious Entertainment VCT's) to stage a second Festival in Scotland for 2011. This has largely been driven by popular demand and there is also strong demand to license the Rewind Brand internationally with negotiations in their final stages.

Powderham Castle – The Investment team exercised their experience and judgement on this event which had a disappointing track record and decided, together with the co- promoter, to not restage the event in 2010. After all costs, the VCT's lost 12% of the capital invested and relied on the cash collateral security to recover the vast majority of the investment.

The Ingenious VCTs summer music festivals had a very successful year in 2010 with over £1.4m of profits generated across the events up from £200,000 in the previous year.

Exhibitions

Taste and Taste of Christmas - this summer's Taste event in Regent's Park and Taste of Christmas at London's ExCeL Centre attracted record attendances, and both moved into combined profitability for the first time. Ingenious report that the Taste brand is growing from strength to strength and this is apparent not only in London, but also in other locations including Edinburgh, Sydney and Dubai.

Golf Live, a recent investment, is a new outdoor interactive event day for all golfing fans. The entertainment involves professional golfers including stars such as Colin Montgomerie playing exhibition golf in front of a crowd, golf merchandising, trick shot artists and a hole in one challenge, all of which was set in the splendour of Stoke Park. The event remains loss making in its first year but after the experienced organisers received the highest audience satisfaction ratings for any event staged, Ingenious are confident that this investment will move into profit in 2011. The aim is to role the event out into further prestigious golf courses around the world.

Television Format

Let's Dance - was commissioned and substantially paid for by the BBC for Comic Relief. With audience ratings peaking at 8.6 million viewers for the final on BBC1, the show has been commissioned for a third series by the BBC and the success of the show has meant that is has now been sold in a number of territories including the USA, Holland, Germany and Russia. However, the directors consider it still too early to be able to revalue the investment. The international rights of this product are anticipated to be sold widely to recoup a profit on the secured investment by the VCTs.

Theatrical Production

Annie Get Your Gun was an investment made in 2009. The production fully covered its investment with a very small profit being made. Ingenious are currently exploring further opportunities with regards to this investment.

Live Entertainment Venue.

Scarborough Open Air Theatre was an investment made in late 2009 into a theatrical venue. With a capacity of over 6,000, it is the largest open air theatre in Europe. Hosting artists such as Dame Kiri Te Kanawa, Jose Carreras, an 80s Rewind show as well as performances by the award winning children's TV presenter Justin Fletcher, the variety of events the theatre is able to host has attracted audiences from across the North of England. The early progress although loss making is in line with expectations as this venue continues to build its brand and presence in the local market.

The holdings are listed in Table 3. All deals more than 2 years old are re- valued up or down in the following way:

- The asset is marked up to the value that would be received by the VCT if the asset was sold on a multiple of 4 times profit before tax plus any physical cash received by the VCT in profit share.
- In the event of a diminution of the value of the asset, the value is written down the higher of the directors' estimate of asset value (usually dictated by VCT share of losses) and the minimum cash backed guarantees provided by the co-promoter.

Overall a good record so far with the possibility of building a number of "brands" starting to show through.

Tax Efficient Review Track Record rating: 30 out of 40

Manager The investment team (all of whom are also on the investment team for the Ingenious Live VCTs) is made up of Patrick McKenna (54, founder of Ingenious Media and CEO, having previously been head of the media practice at Deloitte & Touche and Chief

Table 3: Ingenious VCT performance Source: Tax Efficient Review using data from London Stock Exchange						
Net Asset Value Date	**Net Asset Value**	**Initial Price**	**Start Date**	**Total Return (NAV plus dividends)**	**Position within group**	**IRR after initial tax relief**
Ingenious Live VCT 1 raised £9m in tax year 2006/07						
30/09/2010	92.20p	100.00p	04/04/2007	99.20p	1st= out of 9	10.6%
Ingenious Live VCT 2 raised £9m in tax year 2006/07						
30/09/2010	92.20p	100.00p	04/04/2007	99.20p	1st= out of 9	10.6%
Ingenious Entertainment VCT 1 raised £10m tax year 2007/08						
30/09/2010	88.20p	100.00p	04/04/2008	93.20p	2nd= out of 8	12.3%
Ingenious Entertainment VCT 2 raised £10m tax year 2007/08						
30/09/2010	88.20p	100.00p	04/04/2008	93.20p	2nd= out of 8	12.3%
Ingenious Entertainment VCT 1 C share 2008/09 raised £2.8m at 100p						
30/09/2010	85.00p	100.00p	04/04/2009	90.00p	6th= out of 9	18.6%
Ingenious Entertainment VCT 2 C share 2008/09 raised £2.8m at 100p						
30/09/2010	85.00p	100.00p	04/04/2009	90.00p	6th= out of 9	18.6%

Executive of The Really Useful Group), Duncan Reid (52, ex Deloitte & Touche and the Really Useful Group), Paul Bedford (53, ex Deloitte & Touche Media Group and SPZ Group), Patrick Bradley (50, ex Polygram, Universal Pictures and UPC Media) and Sebastian Speight (ex Allen & Overy).

The VCT directors for Ingenious Entertainment VCT 1 are David Munns (chairman, 59, ex ViceChairman of EMI), Patrick McKenna (see above) and Keith Turner (75, ex legal and business affairs director of the Really Useful Group).

The VCT directors for Ingenious Entertainment VCT 2 are Bob Storer (chairman, 63, ex Senior Partner at Harbottle & Lewis), Patrick McKenna (see above) and Lionel Martin (60, Chartered accountant and consultant to Martin Green Ravden LLP).

Deal Flow Through its extensive contact in the industry the VCT manager sees a sufficient deal flow from what is a large and growing industry to invest all the funds raised at maximum subscription. Ingenious have a 100% track record of fully investing their VCT funds into qualifying active trading companies within required HMRC timescales.

Tax Efficient Review Team rating: 18 out of 20

Costs Initial costs are fixed at 5.5%. Upfront commission payable to introducers is 3% (or 2.5% upfront and 0.25% p.a. for 5 years) paid for by the Promoter out of the 5.5% upfront fee.

Annual running costs are capped at 3.5% of net asset value excluding irrecoverable VAT. In addition, the VCTs have established an incentive scheme to encourage the maximisation of returns and their early remittance to Shareholders under which the Manager may receive a performance related incentive fee from each VCT equal to 20% of cumulative distributions in excess of £1.05 per Share.

Tax Efficient Review rating: 8 out of 10

Conclusion The Ingenious Entertainment VCTs aim to invest in a portfolio of entertainment content & live event promotion companies whose returns will be underpinned by event licensing arrangements and contractual revenue streams (usually cash collateral) equivalent to at least 75% of the amount invested.

The companies will be engaged in the promotion of live events (concerts, festivals, exhibitions and tours), other events such as sporting and interactive events, family shows and entertainment content which can be exploited across multiple media platforms with the intention of creating brand value that can eventually be sold on a multiple of earnings basis (providing a greater return than single event concerts). Through arrangements entered into with promoters, investors in the VCTs should be afforded at least 75% protection of their capital and some prospect of decent returns beyond the minimum threshold.

New funds raised in this issue will be split 50/50 between the two VCTs in a standard 'twin VCT' structure but in an unusual feature investors will need to choose the percentage of their investment to place in E and F shares. The E Share class will make non-qualifying investments in low risk cash funds whereas the F Share class will place its non-qualifying investments in a balanced, multi-asset portfolio managed by Ingenious Asset Management Limited. The non-qualifying investments therefore are targeting higher returns than cash, and whilst Ingenious say will be managed conservatively, will have a higher risk profile than cash equivalent investments.

The non-qualifying investments of the VCT will be managed on a discretionary basis by Ingenious Asset Management with particular emphasis on safeguarding capital. Fees for this service will be paid out of the 1.75% annual management fee charged for running the VCT. The E share offer, the "safe" portion of the fund will be invested in a number of cash funds with a rating of at least AAAm (S&P) or Aaa/MR1 (Moody's). Ultimately the proportion of the company's assets (approximately 30 per cent.) which is not invested into qualifying investments will remain in such investments, maintaining a high level of liquidity. In response to reduced returns from cash or cash equivalent investments, Ingenious are giving investors the options of subscribing for an F share where the "safe" portion of the fund will be invested in the Ingenious Balanced Multi-asset Management Portfolio. This fund has a 6 year historic track record of returning 5.5% per annum, but is somewhat more volatile than cash or cash equivalents.

Ingenious are targeting to deliver £1.17 for the E Share and £1.22 for the F share on a net cost of investment of 70p. If achieved this would represent an average annual return of 13.41% E share and 14.68% F share.

Overall a good record so far with the possibility of building a number of "brands" starting to show through.

Tax Efficient Review rating: 83 out of 100

Table 4: Ingenious Live VCTs Holdings Performance - 30th September 2010 Source: Ingenious											
		VCT INVESTMENT			**INVESTMENT PROFITS**		**VCT Share of Profits**		**Capital Write Up/ (Write Down)**		**Evaluation**
Date of investment	VCT Share of Profits	Live VCT 1 (£m)	Live VCT 2 (£m)	Total (£m)	Minimum Revenues (£m)	2010 Actual or Projected (£)	2009 Actual (£)	2010 Actual Or Projected (£)	2009 Actual (£)	2010 Actual (£)	Latest Evaluation
Creamfields Day 2 **Creamfields Music Festival Day 2**											
Jul-08	20%	0.850	0.850	1.700	1.275	600,000	59,013	120,000	295,066	424,934	Write Up
80s Rewind Festival **80s Rewind Music Festival**											
Dec-08	10%	0.347	0.347	0.544	0.408	550,000	8,006	55,000	-	252,000	Write Up
Underage / Field Day **Underage / Field Day Music Festival**											
Jul-07	30%	0.500	0.500	1.000	0.750	325,000	111,044	97,500	444,178	(54,178)	Write Up
80s Rewind Xmas Tour 2010 (was Powderham Castle) **80s Rewind Xmas Music Tour 2010 (was Powderham Castle)**											
Jan-08	20%	0.281	0.281	-	-	100,000	-	20,000	-	-	Held at Cost
Taste of Christmas** **Taste of Christmas** Exhibition**											
Sep-08	20%	0.902	0.902	1.804	1.353	74,000	(41,200)	14,800	(71,204)	-	Held at Cost
Taste Festivals **Taste Festivals Exhibition**											
Apr-08	n/a	1.000	1.000	2.000	2.000	24,000	16,000	16,000	-	-	Held at Cost
Lets Dance* **Lets Dance* Television Format**											
Jan-09	25%	0.500	0.500	1.000	0.875	-	-	-	-	-	Held at Cost
Annie Get Your Gun*** **Annie Get Your Gun*** Theatre**											
Nov-09	n/a	0.250	0.250	0.500	0.500	-	-	-	-	-	Held at Cost
Scarborough Open Air Theatre**** **Scarborough Open Air Theatre**** Live Venue**											
Dec-09	25%	1.000	1.000	2.000	1.680	(50,000)	-	(12,500)	-	-	Held at Cost
Golf Live**** **Golf Live**** Exhibition**											
Dec-09	10%	0.275	0.275	0.550	0.412	(197,500)	-	(39,500)	-	-	Held at Cost
Total		**5.951**	**5.951**	**11.902**	**9.856**	**1,425,500**	**128,838**	**271,300**	**574,241**	**350,756**	

*Let's Dance is recouping a production deficit from international format fees. See separate report .
**Taste of Christmas: 2009 loss (£49,037) held. Event forecast to deliver £74k profits Dec-10 (Live VCT receives £14.8k)
***Annie Get Your Gun: 100% of VCT investment recovered
****Golf Live and Scarborough: VCTs share of losses in the 2010 launch events is held. These events are expected to move into profit in 2011

Table 5 Ingenious Entertainment VCTs - Ordinary-Shares Holdings Performance - 30th September 2010 Source: Ingenious											
		VCT INVESTMENT			INVESTMENT PROFITS		VCT Share of Profits		Capital Write Up/ (Write Down)		Evaluation
Date of investment	VCT Share of Profits	Ent (Ords) VCT 1 (£m)	Ent (Ords) VCT 2 (£m)	Total (£m)	Minimum Revenues (£m)	2010 Actual or Projected (£)	2009 Actual (£)	2010 Actual Or Projected (£)	2009 Actual (£)	2010 Actual (£)	Latest Evaluation
Into The Groove Ltd. 80s Rewind Music Festival											
Dec-08	10%	0.273	0.273	0.546	0.408	550,000	8,006	55,000	-	199,964	Write Up
Dance Floor Ltd. Lets Dance Television Format											
Jan-09	25%	0.500	0.500	1.000	0.875	-	-	-	-	-	Held at Cost
Golfmania Ltd. Golf Live Exhibition											
Dec-09	10%	0.275	0.275	0.550	0.412	(197,500)	-	-	-	-	Held at Cost
DRG Media Assets Ltd. DRG Television Rights											
Jun-09	N/A	1.000	1.000	2.000	2.000	12,500	8,333	8,333	-	-	Held at Cost
Essential Experience Ltd. XOYO Live Venue											
Mar-10	20%	0.315	0.315	0.630	0.468	-	-	-	-	-	Held at Cost
Apple Cart Festival Ltd. The Apple Cart Music Festival											
Jun-10	20%	0.098	0.098	0.196	0.147	-	-	-	-	-	Held at Cost
Supervision Media Holdings Ltd. Supervision Media Content Distribution											
Aug-10	16%	0.779	0.779	1.558	1.231	-	-	-	-	-	Held at Cost
CLS Concerts Ltd. L.E.D Music Festival											
Aug-10	13%	0.391	0.391	0.782	0.586	(50,000)	-	(6,517)	-	-	Held at Cost
Jongleurs Comedy Live Ltd. Jongleurs Live Comedy Promotion											
Sep-10	16%	0.779	0.779	1.558	1.169	-	-	-	-	-	Held at Cost
Crystal Star Ltd. 80s Rewind North Music Festival											
Oct-10	16%	0.391	0.391	0.782	0.587	-	-	-	-	-	Held at Cost
Total		4.410	4.410	8.820	7.296	315,000	16,339	56,816	-	220,000	

Table 6 Ingenious Entertainment VCTs - C-Shares Holdings Performance - 30th September 2010

Source: Ingenious

		VCT INVESTMENT			INVESTMENT PROFITS		VCT Share of Profits		Capital Write Up/ (Write Down)		Evaluation
Date of investment	VCT Share of Profits	Ent (Ords) VCT 1 (£m)	Ent (Ords) VCT 2 (£m)	Total (£m)	Minimum Revenues (£m)	2010 Actual or Projected (£)	2009 Actual (£)	2010 Actual Or Projected (£)	2009 Actual (£)	2010 Estimates (£)	Latest Evaluation
Essential Experience Ltd. XOYO Live Venue											
Mar-10	5%	0.085	0.085	0.170	0.127	-	-	-	-	-	Held at cost
The Apple Cart festival Ltd. The Apple Cart Music Festival											
Jun-10	5%	0.027	0.027	0.054	0.041	-	-	-	-	-	Held at Cost
Supervision Media Holdings Ltd. Supervision Media Content Distribution											
Aug-10	4%	0.221	0.221	0.442	0.349	-	-	-	-	-	Held at Cost
CLS Concerts Ltd. L.E.D Music Festival											
Aug-10	4%	0.109	0.109	0.218	0.164	(50,000)	-	(6,517)	-	-	Held at Cost
Jongleurs Comedy Live Ltd. Jongleurs Live Comedy Promotion											
Sep-10	4%	0.221	0.221	0.442	0.349	-	-	-	-	-	Held at Cost
Crystal Star Ltd. 80s Rewind North Music Festival											
Oct-10	4%	0.109	0.109	0.218	0.172	-	-	-	-	-	Held at Cost
Total		0.772	0.772	1.544	1.202	(50,000)	-	(6,517)	-	-	-

Triple Point VCT 2011

Type	Planned Exit
Size	£50m
Manager	Triple Point Investment Management LLP
Sponsor	Howard Kennedy
Promoter	None
Focus	Businesses with a solid stable future with highly predictable revenues from financially sound customers
Minimum investment	£25,000
Minimum subscription	Not applicable
Offer closes	29 April 2011
Earlybird offer	Investors subscribing before 1st December will receive additional bonus shares of 3%, before 31st January 1.5% and before 28th February 0.75%. 1st December and 31st January additional share offers apply to the first £5 million of applications and the 28th February offer applies to the first £10 million.
Commission	3% initial or 1% initial and a trail of 0.5% p.a. for 5 years in arrears

Strategy

Triple Point VCT 2011 plc is a new Planned Exit VCT from Triple Point. Its strategy is simple: to target attractive returns and capital security for investors. The Fund will invest in VCT qualifying investments that offer predictable revenue streams, liquidity and a low risk of capital loss. It is expected that the majority of the portfolio will engage in supply services to the public sector and financially sound corporate customers. Assets awaiting deployment will be invested in cash or cash-based liquid investments. In adopting this conservative strategy for its non qualifying investments, Triple Point VCT 2011 is a natural successor of the original proven Triple Point VCT and last year's popular TP10 VCT.

Triple Point VCT 2011 plc will target post tax returns of 9-11% per annum. This target return is the equivalent to a pre tax return of 18-22% p.a. for a 50% tax payer.

In assessing Triple Point's qualifying investment strategy, we now have the history of a complete life cycle of the original Triple Point VCT, which raised £3.4m in an ordinary share offer of 2005 and, through a C share offer, a further £28.5m in 2006. Both vintage years of investors have received a cash return representing a post tax annualised compound rate of return of over 15% on their net cost of investment. Both exited the VCT within a year after the minimum holding period with the majority of funds being returned more quickly. The target annualised return had been 13 to 18%.

Triple Point VCT was an innovator in the Planned Exit, protected VCT sector in two ways. Firstly, Triple Point introduced the concept of securing investments not against assets, but against high grade contractual cash flows written by credit-worthy counterparties. Given the onset of the credit crisis in 2007, the effectiveness of this capital preservation strategy has been subjected to quite a test – deploying capital during a liquidity glut and unwinding its investments in the teeth of the liquidity crunch that followed. The results are creditable: Triple Point VCT's qualifying investments, all of which have been exited, achieved an average internal rate of return of 3.5% (target: 4%) and Triple Point VCT itself returned to investors between 94p and 98p per gross £1 invested (target 90 – 105p).

Secondly, with the natural liquidity that this 'contractual cash flow' strategy was designed to provide, Triple Point targeted not only security but a rapid exit – defined as within a year of the end of the required holding period of the VCT. In terms of this target, both 2005 and 2006 investors had received over 80p per £1 invested within 3 months of the end of their minimum holding period.

Table 1: Triple Point non-qualifying strategy comparison			
VCT	Launched	Non-qualifying strategy	Latest Net Asset Value
Triple Point VCT Ord shares	2004/05	Fixed interest securities or similar investments that are readily realisable	Repaid at 92p plus dividends of 5.43p in July 2008
Triple Point VCT (C shares which were converted to ordinary shares 31 March 2007 at a conversion ratio of 1.005745 ord for each C share)	2005/06	Fixed interest securities or similar investments that are readily realisable	Repaid at 94.01p by April 2010
TP70	2006/07	100% investment in GAM Diversity, a fund of hedge funds, for the first two years, followed by three years of 30% hedge fund exposure	72.79p (31/08/10)
TP70 2008 I & II	2007/08	A consistent 75% investment exposure to GAM Diversity through a 30% holding in Diversity 2.5XL, a 1.5X leveraged version of Diversity	82.68p (I) & 82.69(II) (30/09/10)
TP5 (TP70 2009 has merged into this VCT but retaining its intended structure through a separate share class)	2008/09	Actively managed portfolio targeting LIBOR-related returns managed by Goldman Sachs Asset Management International	89.6p (30/09/10)
TP5 B (TP70 2009 which converted to TP5 B shares at a ratio of 1.0113575 new TP5 B share for each existing TP70 2009 share on 30/09/2009)	2008/09	Substantial exposure to GAM Diversity plus an innovative mechanism to adjust the timing of their exposure to GAM Diversity.	86.67p (30/09/10)
TP10	2009/10	Cash or equivalents, principally using OEICs	93.76p (31/08/10)
TP70 Trading (a share class of TP70 2010 VCT plc)	2009/10	Substantial exposure to GAM Trading II GBP	93.41p (31/08/10)
Triple Point VCT 2011	Current offer	Cash or cash-based liquid investments	
Source: Manager			

In more detail, the 53 early investors in ordinary shares in Triple Point VCT, who accepted the buyback tender offer for 3.39m shares in mid 2008, had their shares redeemed at 92p plus dividends of 5.43p. As the buyback was financed by using existing cash resources in the VCT rather than realising any underlying qualifying investments, this was not of itself conclusive in regard to the liquidity of Triple Point qualifying investments – albeit arguably a positive indication of intent. However, Triple Point VCT then executed – on behalf of its much larger C shareholder base - an exit programme from all its qualifying investments in April 2009 and paid out two distributions of 67.9p and 7.6p in April and May 2009 on top of earlier distributions of 5.43p. Meaning that within 3 years and two months 80.93p had been distributed from a net investment of 60p per share. Further distributions were made of 10.1p in October 2009 and 2.98p in April 2010, bringing the total distributed to 94.01p per share.

In an economic climate of extreme illiquidity, the prompt unwinding and distribution of this £30m investment trust was made possible by the investment model used by Triple Point, in which cash is accumulated over the life of the investment. Tax Efficient Review was given access to detailed exit programme cash flow and cash balance data in March 2009 which showed that over 50% of the Triple Point VCT net asset value was held in cash in the VCT or investee companies at the time and a further 30% approximately could be characterised as self-liquidating in the following months. The speed of the Triple Point VCT's exit and accompanying distributions was facilitated, however, by Triple Point VCT's ability to sell on to other group VCTs its rump holdings.

Qualifying investments strategy

In structuring qualifying investments, Triple Point VCT 2011's aim is to enable investors to receive the tax benefits of VCT investment whilst mitigating – but clearly not removing - the capital risk and illiquidity sometimes associated with VCT-qualifying investments. The structure of a typical deal could look as follows:

1. Triple Point's risk mitigation strategy focuses on investment in small, simple businesses with tightly defined objectives.
2. Investee companies' revenues should be highly predictable and derived from financially sound customers, written in return for the provision of an asset and accompanying services.
3. Such service contracts will typically have been awarded to the VCT's investee company, which has the necessary resources to fund the asset purchase and deliver the service.
4. Elements of the provision of the services required under the contract (for example, installing pollution control systems at crematoria; running network services) may be outsourced to specialist, third party service providers.
5. Where these companies are executing contracts with public sector clients the contracts might be characterised as 'mini PFI' – the provision of capital investment and services to the public sector in return for contracts promising specific payments on specific dates over a period of years.
6. Probably the principal risk to the contractual cashflows to the investee companies arise in the event that the company fails to perform its obligations, which might dilute the high grade client's contractual obligation to pay. Such service risk that exists may be mitigated by, for example, a performance bond, a bank guarantee, or the availability of substitute service providers.

After five years it is intended that the VCT will be in the position to seek exits from those investments with the aim of returning funds to investors. Annual management fees cease and the manager only receives 1% of remittances to shareholders – which of course incentivises them to wind up the VCT.

In summary, Triple Point VCT 2011's highlights include:

- Attractive returns – targeted post tax, annualised return of 9-11% p.a. This is the equivalent of a 18-22% pre-tax return for a 50% tax payer
- Stability – Triple Point VCT-qualifying investments are designed to be more predictable and contain less risk than typical venture capital investments
- VCT tax benefits – including 30% upfront income tax relief
- Ease of Exit - Triple Point VCT 2011 is designed to facilitate a rapid exit for investors after 5 years, and the annual management charge ceases in October 2016 incentivising Triple Point to return funds swiftly

In our view Triple Point VCT 2011 could appeal to investors looking for a capital security-focussed investment, where security should be underpinned by highly predictable revenue streams from financially sound customers, and a rapid return of capital after the required holding period. Triple Point's track record with a similar VCT, Triple Point VCT, and the planned high quality of Triple Point VCT 2011's main counterparties is a differentiating feature contributing to Triple Point VCT 2011's credentials.

Tax Efficient Review Strategy rating: 27 out of 30

Track record

Triple Point VCT 2011 is the latest in a series of "Limited Life" or "Planned Exit" VCTs from Triple Point. The investment strategy for the qualifying investments has remained consistent since the first VCT, Triple Point VCT which was launched in 2004/05.

Triple Point's qualifying investments have included capital for companies undertaking:

- Data and telecommunications network services to a series of blue chip companies
- Pollution control installation and ongoing management at local authority owned

crematoria

- Telecommunications satellite capacity trading – backed by remarketing guarantees
- Ambulance refurbishment for fleets of NHS ambulance trust vehicles
- Provision of telephony services to public sector agency CAFCASS; the Children & Family Court Advisory Service
- Provision of medical supplies and associated logistical services to an NHS trust
- Provision of digital projection systems and ongoing maintenance on behalf of the major film studios

In assessing Triple Point's qualifying investment strategy, we now have the history of a complete life cycle of the original Triple Point VCT, which raised £3.4m in an ordinary share offer in 2005 and, through a C share offer, a further £28.5m in 2006. Triple Point VCT became fully invested within two years of the closing of its main 'C' share offer in April 2006, having deployed £23m into high quality qualifying investments. £30.2m has been returned to investors, giving a post tax annualised compound rate of return of over 15% to both sets of shareholders on their net cost of investment, with all funds being returned within a year of the end of the minimum holding period and the majority more quickly. The target annualised return had been 13 – 18%.

Looking in detail at the main investments that Triple Point has carried out in its VCTs - In December 2006 Triple Point VCT invested a total of £3.8m in four companies established to specialise in the provision of virtual network services to blue chip companies. A further £5m was committed between July 2007 and January 2008. Virtual Network Services ('VNS') tie together a company's dispersed locations by providing the lowest cost routing for all telecom services (both voice and data) between them. A virtual service provider does not own any transmission links but purchases bandwidth as needed and from the cheapest supplier. VNS contracts are highly cash generative through their lifetime but VCT capital supports the capital intensive acquisition and inception of each contract.

In April 2007, Triple Point announced follow-on investments totalling £4 million into four companies: Broadsword Satellite Communications Limited, Beam Carrier Trading Limited, Satellite Broadband Access Solutions Limited and High Definition Broadcast Services Limited. An initial tranche of £1m had been invested by Triple Point VCT in September 2006 into each of these companies. Each company had been formed to specialise in trading satellite carrier capacity an opportunity that came about from the impending launch of HYLAS, a communications satellite for high definition television and broadband internet access currently being built by EADS Astrium. HYLAS is due for launch in 2010, later than originally anticipated, and will provide satellite services over Europe and North Africa. Consistent with Triple Point's investment model, the security and liquidity of each investee company is underpinned by a minimum level of contractual cashflow, underwritten by a bank guarantee. Specifically, each of the investee companies has secured contracts which give them the option, first exercisable in 2009, to re-sell their capacity on minimum terms which are consistent with the VCT's return objectives.

In October 2008 Triple Point announced a £1.2m investment in MGS West Midlands Limited, a specialist provider of medical supplies and logistical services to the West Midlands NHS Trust. MGS is involved in providing supplies to front line emergency ambulances, patient transport services and community responders.

In 2008 Triple Point, through its ongoing origination and research activities, identified the attractive investment potential of the digital cinema sector. Due to the legacy business model, this sector has remained predominantly analogue, despite the fact that film cameras and editing equipment are now almost exclusively digital. This means that film studios and distributors incur high costs in printing and distributing celluloid film reels, to each cinema screen, every time a film changeover occurs. Digital technology enables these costs to be avoided, as well as providing numerous other benefits to studios, to the cinemas and to film goers. Through its deep expertise and developed contact base, Triple Point has been able to support and invest in a number of companies promoting and executing the deployment of digital systems into respected cinema chains, in return for high quality and contractually backed revenues streams, derived predominantly from the major film studios. The first investments were made in March 2009, and to date Triple Point has been able to make first stage and follow on investments into a number of companies operating in this sector, totaling £35m. These investments provide all the hallmarks of a typical Triple Point deal, namely the identification of a niche opportunity to provide an essential service, backed by high quality, predictable revenues, from blue chip customers.

More recently Triple Point has invested in several companies trading in the energy and renewable energy sectors. These companies will take advantage of the returns currently available to micro generators of electricity using renewable resources such as hydro, biomass and solar energy. Triple Point has also invested £1.3m and committed a further £2m into an energy company, Peak Power Associates. Electricity demand experiences peaks and troughs throughout the day and at times of high demand there can be a shortfall in the electrical power available to the National Grid. Peak Power will supply additional tactical capacity under long term contracts to the National Grid to meet such shortfalls through its retained network of diesel or biodiesel generators.

Tax Efficient Review Track Record rating: 30 out of 40

Manager

The key members of the investment team include:

- Claire Ainsworth - Managing Partner of Triple Point. Claire started her career at Hill Samuel, followed by 16 years in swaps and structure finance in Morgan Grenfell, subsequently Deutsche Bank where she was a managing director
- Michael Bayer – a founding partner of Triple Point. Michael joined Triple Point from 3i and prior to this Michael specialised in structured finance at Dresdner Kleinwort, and qualified as a Chartered Accountant at Ernst & Young.
- James Cranmer – Triple Point partner and Head of Triple Point Capital. James has 16 years experience in vendor finance and joined Triple Point from Cranmer Lawrence, a specialist asset and lease finance boutique. At Cranmer Lawrence James spent seven years as a principal and was responsible for originations in excess of £500 million from public sector and FTSE 100 companies
- Alastair Irvine – Alastair has over 25 years financial experience as a stockbroker, 18 of those with Smith New court / Merrill Lynch at the latter of which he was a managing director. Alastair was rated the top analyst in Europe covering the UK paper, packaging and printing sector between 1996 and 2000, at which point he became a full time research manager and for 6 years was deputy head of Merrill Lynch's equity research department for Europe, Middle East and Africa. Alastair is also a Trustee of the Meningitis Trust
- Ian McLennan – Ian has over 23 years' experience of investment analysis and portfolio management. Ian was previously global equity strategist for Brevan Howard LLP, Europe's largest hedge fund, prior to which he held the same role as managing Director at UBS AG having also spent many years in Asia with that firm researching the regional stock markets. Ian is an expert in renewable energy investment and has led Triple Point's renewable energy team for two years, exploring commercial opportunities in the sector
- Margaret Hall – Margaret joined Triple Point from 3i where she was a portfolio manager, looking after SME investments.

The Board of Triple Point VCT 2011 consists of three directors, two of whom are independent of the Investment Manager:

Jane Owen (Chairman) - After graduating in Law from Oxford University, Jane was called to the Bar in 1978 and until 1989 was a practising barrister in the chambers of Sir Andrew Leggatt (now 3 Verulam Buildings). Subsequently Jane became UK group legal director at Alexander & Alexander Services, and was appointed Aon's General Counsel in the UK in 1997, a position she held until 2008, where she was also a director of Aon Limited from 2001 to 2008. She is also a Trustee of the Dulwich Estate.

Chad Murrin - After graduating in law from Cambridge University, Chad qualified as a barrister. He worked for 3i Group plc from 1986 to 2004, the last five years as 3i's Corporate Development Director. In 2004 he set up his own corporate advisory business, Murrin Associates Limited. He holds the Advanced Diploma in Corporate Finance from The Corporate Finance Faculty of the ICAEW. He is a Non-executive Director of TP70 VCT plc, TP70 2008 (II) VCT plc, Downing Absolute Income VCT 2 plc, Beard Construction and Setsquare Recruitment Limited.

Alastair Irvine - see above

Deal Flow

Triple Point's confidence in its ability to secure access to substantial deal flow has been borne out by its success in meeting all of its substantial VCT and EIS deal origination requirements. To date Triple Point has executed a total of £98m of qualifying investments, across six funds and a variety of direct investments, which equates to an average of £25m per annum over the last three years. It is comforting that the deals originated thus far all reflect the risk mitigation characteristics that are a key differentiator of Triple Point's offering.

Assuming Triple Point VCT 2011 raises the targeted £50m level, this will require qualifying deal flow of £12m per annum over the next 3 years.

Triple Point has a strong pipeline of qualifying investments well in excess of its current commitments including Triple Point VCT 2011 reaching full capacity. The Triple Point team are working on £19m of opportunities where heads of terms have been signed which are expected to complete in early 2011, with the potential for follow on investments in excess of £20m enabling them to comfortably meet their requirements for 2011 and 2012 well ahead of schedule. There are an additional £8m of investments at an advanced stage of negotiations which are also expected to complete in 2011 with the potential for follow on investments of £4m.

In terms of sectoral opportunities, the pipeline includes investments in:-

Renewable energy	£63m
Digital equipment	£16m
Energy generation	£4m
Environmental projects	£7m

In summary, Triple Point claim that their record of converting its pipeline of qualifying investments (for example over £25m have been sourced or acquired in the past 12 months) gives confidence that the VCT will comfortably fulfil its regulatory obligations to be 70% invested in qualifying investments by the end of the third year.

Tax Efficient Team/Deal Flow Review rating: 18 out of 20

Costs

Triple Point VCT 2011 offers a low VCT expense profile, with a front end charge of 5% (including commission to introducers of 3% or 1% and trail commission of 0.5% p.a. for 5 years in arrears) and annual management charges of 2.25%. In the event of a smaller than expected fund raising, total annual expenses are capped at 3.5%.

To accelerate the return of funds to Investors after the 5 year holding period under VCT tax rules, Triple Point Investment Management's annual investment management fees will cease to be payable to Triple Point with effect from 1 October 2016, replaced by a one-off 1% performance fee for funds returned.

Triple Point VCT 2011 is offering a bonus share offer for early investors. Applications received before 1st December will receive additional bonus shares of 3%, before 31st January 1.5% and before 28th February 0.75%. 1st December and 31st January additional share offers apply to the first £5 million of applications and the 28th February offer applies to the first £10 million.

Tax Efficient Review Costs rating: 8 out of 10

Conclusion The strategy of this Limited Life VCT is directly comparable with Triple Point VCT, the manager's first – and successful – VCT offering. In summary, the highlights of Triple Point VCT 2011 include:

- Attractive returns (target of 9% - 11% p.a. post-tax, equivalent to a pre tax return of 18% - 22% p.a. depending on the tax situation of the investor
- Stability - Triple Point VCT-qualifying investments are designed to be more predictable and contain less risk than typical venture capital investments.
- Ease of exit – Triple Point VCT 2011 is designed to facilitate a rapid exit for investors after five years and Triple Point has a strong track record in achieving exits.

This is not a normal generalist VCT investing in unquoted companies. It is aimed at the more risk averse and sophisticated investor seeking more realizable investments and secure returns than typical VCTs – and of course the tax advantages of a VCT. As a limited life VCT it will attempt to provide an exit as soon as possible after five years.

Overall Triple Point VCT 2011 is an offer from a very successful fund raising group, whose management of the Triple Point VCT exit programme over the past two years in a difficult economic climate has demonstrated the robustness of the underlying qualifying investment strategy.

Tax Efficient Review rating: 83 out of 100

Hargreave Hale VCT 1 & VCT 2 Joint Offer

Type	AIM based VCTs
Size	£7m (£0.86m allotted) in VCT 1 and £3m (£1.18m allotted) in VCT 2
Manager	Hargreave Hale
Sponsor	Howard Kennedy
Promoter	Hargreave Hale
Focus	A diversified portfolio primarily comprising AIM stocks
Minimum investment	£3,000
Minimum subscription	N/A
Commission	3% initial or 2.25% initial plus 0.375% trail

Strategy

A joint offer from the two AIM-based VCTs managed by Hargreave Hale which will allow investors to participate in VCTs which raised funds under the older less restrictive investment rules.

The Offer is for up to around £6,000,000 of Ordinary Shares in Hargreave Hale AIM VCT1 and £1,800,000 of Ordinary Shares in Hargreave Hale AIM VCT2 at an offer price at a 5% increase above the latest published unaudited NAV per Ordinary Share of the relevant Company. Applicants can choose to invest in either or both of the companies. This is very unusual in a fund raising as the investor has to decide on the allocation between the two VCTs.

In the case of Hargreave Hale AIM VCT 1, the Directors are of the opinion that, due to its size and the substantial portfolio of VCT qualifying investments, if the limited number of additional VCT qualifying investments required over the next 3 years can be funded out of the net proceeds received from its share issues in 2004/5 and 2005/6 (that are yet to be invested in VCT qualifying companies) then the Fund can absorb the new capital without requiring any further investments under the current VCT legislation. Because the current VCT legislation is more restrictive, this should substantially reduce the structural investment risk.

Hargreave Hale AIM VCT 2 is a much smaller fund with a lower level of VCT qualifying investments. There is less scope to absorb additional funds and hence the offer is limited to £3m (of which £1.18m has already been allotted). Again, the Directors are of the opinion that additional VCT qualifying investments can be funded from capital originally raised in 2006/7, avoiding the requirement to invest under the more restrictive VCT rules currently in place.

Originally, the Companies were named Keydata AIM VCT plc and Keydata AIM VCT 2 plc, but following the administration of Keydata Investment Services Limited in June 2009, who dealt with the day to day administration of the Companies' affairs and their replacement by Hargreave Hale Limited, their names were changed to Hargreave Hale AIM VCT 1 plc and Hargreave Hale AIM VCT 2 plc in October 2009

VCTs can be classified by when they raised funds. VCT fund raising can be divided into four periods and the VCT has to be able to demonstrate that investments that fail to satisfy the more restrictive rules were acquired with money raised by an issue of shares that took place before a certain date (or acquired with funds that were ultimately derived from the investment of such money):

- **Pre-April 2000** where the rule is that investee companies must have gross assets prior to the VCT investing of less than £10m;
- **Post-April 2000/Pre-April 2006** rules where investee companies must have gross assets prior to the VCT investing of less than £15m; and
- **Post-April 2006/Pre-April 2007** where investee companies must have gross assets prior to the VCT investing of less than £7m
- **Post-April 2007** where investee companies must have gross assets prior to the VCT investing of less than £7m and less than 50 employees.

New funds subscribed would normally have to be invested under the new Post-April

2007 rules and this could be a constraint and could restrict choice in the AIM IPO market. But by pooling the new funds raised under this offer with the current VCT shareholders who subscribed under the old rules this can be avoided. The new funds are used to pay the running costs of the VCT, any buy-backs and any dividend payments. The old funds are purely used to make investments. In this way the old more powerful money is not dissipated through VCT fees, buy-backs and distributions.

Hargreave Hale VCT 1 was raised under the **Post-April 2000/Pre-April 2006** rules and Hargreave Hale VCT 2 was raised under the **Post-April 2006/Pre-April 2007** rules. The rules relating to VCT 1 are less restrictive and could influence investors in allocating more funds to that VCT in this joint offer.

The Companies' objectives are:

- to invest in a diversified portfolio of small UK based companies on a high risk, medium term capital growth basis, primarily being companies which are traded on AIM and which have the opportunity for significant value appreciation;
- to invest in smaller companies which may not be readily accessible to private individuals and which also tend to be more risky;
- to maximise distributions to shareholders from capital gains and income generated from the Companies' funds; and
- targeted investment in equities which are non-qualifying investments on an opportunistic basis to boost the performance of the Companies' funds.

The Investment Manager will continue to follow a stock specific investment approach with target companies required to meet the investment criteria summarised below. Both Venture Capital Trusts follow a similar strategy for the non-VCT qualifying investments (targeting investment in equities which are non-qualifying investments on an opportunistic basis to boost the performance of the Companies' funds), although the first Venture Capital Trust did not adopt this until May 2009. The second Venture Capital Trust followed this strategy from launch in 2007. Both funds now take equity exposure to non-VCT qualifying companies. These investments can cover a much broader range of companies, with different strategies, models and maturities to those typically found in the qualifying portfolio. Liquidity is an important theme within this

TABLE 1: Comparison of Hargreave Hale VCT returns as at 5 November 2010

VCT	Strategy	Size	Tax year of launch	Net Asset Value/Date	Total Return (NAV plus dividends)	Tax Efficient Review annual Internal Rate of Return <u>with initial tax break</u>	Position within peer group
Hargreave Hale VCT ord shares (investors in Keydata AIM VCT ord shares 2004/05 raised £14m at 100p per share, renamed Oct 2009)	65 investments, of which 43 are qualifying. Cost £12.7m, value £11.2m	£17.5m	2004/05	67.19p 05/11/2010	86.19p	7.0%	4th out of 15
Hargreave Hale VCT ord shares (investors in Keydata AIM VCT C share offering 2005/06 which raised £18m, each C share converted into 1.23935 ord shares Oct 08, renamed Oct 2009)			2005/06	83.27p 05/11/2010	92.66p	9.9%	1st out of 21
Hargreave Hale VCT 2 ord shares (investors in Keydata AIM VCT 2 ord shares, raised £4.6m at 100p in tax year 2006/07, renamed Oct 2009)	46 investments, of which 22 are qualifying. Cost £2.6m, value £2.9m	£5.5m	2006/07	101.07p 05/11/2010	117.07p	14.7%	1st out of 6

Source: Manager and Tax Efficient Review non-VCT qualifying element of the portfolio and the Investment Manager will be careful to manage the exposure and remain flexible in its approach, adapting the Fund's profile to reflect market conditions.

The Boards have each established a buy back policy whereby each Company will purchase Ordinary Shares for cancellation. As a guide and subject to the Boards' discretion, each Company will consider buying back Ordinary Shares at a 10 per cent. discount to the last published NAV, subject to a maximum of 105 per cent. of the middle market price per Ordinary Share over the preceding 5 Business Days and a minimum of nominal value.

Tax Efficient Review rating: 29 out of 30

Track record

Hargreave Hale is a specialist manager focusing on smaller companies and the VCT's six strong investment team will be headed by Giles Hargreave.

The Hargreave Hale investment team currently manage around £308m, with most in small cap companies. Over three-quarters of the money under management (£238m) is in the Marlborough Special Situations Fund (MSSF).

Giles Hargreave has an excellent track record in small company fund management with the Marlborough Special Situations fund returning 959% since Giles Hargreave took over its management in July 1998. It was the top performing small cap unit trust in 2003 and 2004. His other small companies fund, a UK Micro Cap fund, has returned 131% since launch in October 2004.

The team have regular meetings with small companies, typically 15 per week, a number of which would be suitable for investment by the Fund. With more than £300m under management, the team is well placed to capitalise on his existing relationships, both with small companies and corporate brokers, to ensure a strong and high quality pipeline of opportunities. The team will be pro-active in seeking out potential investments and has in the past arranged private placings

The performance of the VCTs is summarised in Table 1 and in our view the position of the VCTs within their peer grouping by year of launch shows a very creditable performance.

Tax Efficient Review rating: 30 out of 40

Team/Deal Flow

The investment team comprises

Giles Hargreave (61) is the chief executive of Hargreave Hale Limited. After leaving Cambridge in 1969, Giles began his career as a trainee analyst with James Capel before moving to Management Agency and Music Plc as a private fund manager in 1974. In 1986 he founded Hargreave Investment Management, which he then merged with Hargreave Hale & Co in 1988. In 1998, Giles took over as the fund manager of a Special Situations Fund. He also manages a UK Micro Cap Fund and a UK Leading Companies Fund. Giles heads up Hargreave Hale's investment committee and chairs the weekly meetings in which the team reviews existing and potential investments.

George Finlay (61) has been involved in institutional research and fund management since graduating from Oxford University in 1970. He joined Hargreave Hale in 1988 following positions at both Kemp Gee and GT Management. George, who specialises in 'Old Economy' and resource companies, enjoys a particularly broad mandate that allows him to unearth thematic plays and under-researched companies, often with an international dimension.

Guy Feld (42) a graduate of Oxford University, has over 16 years City experience in both fund management and broking at BZW, UBS and Teather & Greenwood. Guy joined the team as a research adviser in 2003 and has a particular focus on the tech sector and other "New Economy" and growth companies.

Richard Hallett (42) qualified as a Chartered Accountant at Ernst & Young in 1994 and subsequently joined Singer & Friedlander in 1995 as a small companies fund manager. He moved to Hargreave-Hale in 2005 and now co-manages the UK Leading Companies Fund with Giles whilst also deputising for him on the Special Situations Fund. He manages a substantial private mandate and runs Hargreave Hale's IHT portfolio service.

Oliver Bedford (36) graduated from Durham University in 1995 with a degree in Chemistry. He served in the British Army for 9 years before joining Hargreave in 2004. Oliver supports Giles in the management of the Hargreave Hale AIM VCTs, paying particular attention to the technical aspects of their management, the structure of the funds and their qualifying investments. Oliver supports the other funds through the investment committee and runs the Hargreave Hale Model Portfolios.

Siddarth Chand Lall (30) graduated from Edinburgh University with a masters in economics in 2002. He is now in his seventh year as a research analyst. Sid primarily supports the unit trusts, where his background in Pan European (including UK) small and mid cap equities and understanding of Indian companies has added a new dimension to the team. However, he also provides research and investment advice to the two Venture Capital Trusts. Formerly of DSP, Sid joined Hargreave Hale in 2007.

The Boards of both VCTs are identical and comprise:

Sir Aubrey Thomas Brocklebank Bt, ACA. After qualifying as an accountant, Sir Aubrey worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before assisting in the establishment of a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund, which had been raised to invest in early stage ventures. He managed the Avon Enterprise Fund (a venture capital fund of £4.5 million investing in approximately 20 companies) from 1990 until all investments had been realised in 1997. He is on the board of eight other VCTs, Hargreave Hale AIM VCT 1 plc, the AIM Distribution Trust PLC, Puma VCT PLC, Puma VCT II PLC, Puma VCT III PLC and Puma VCT IV PLC (all as chairman) and Pennine AIM VCT 6 plc and Close Second AIM VCT PLC (as a non-executive director only). He is and has also been a director of a number of companies, some of which are, or have been, quoted on AIM.

Giles Hargreave (see above).

David Hurst-Brown FSI worked for over 25 years in the investment banking industry starting as an investment analyst with Rowe and Pitman and becoming a partner of the firm in 1985. Following takeovers by SG Warburg and Swiss Bank Corporation and the subsequent merger with Union Bank of Switzerland, David ultimately was an executive director in the corporate finance division of UBS Warburg. In this capacity, amongst his various duties, he was responsible for establishing a smaller companies business unit. He was a consultant to UBS from 1999 to 2002 and at the same time was an adviser to techMark, the London Stock Exchange's market for technology companies. David is presently a non executive director of Imagination Technologies Group Plc, Anite Plc, Ffastfill Plc and Hargreave Hale AIM VCT 1/2 Plc.

Tax Efficient Review rating: 18 out of 20

Costs

Initial costs are 5% including commission to introducers of either 3% or 2.25% upfront with annual trail of 0.375% of net asset value.

At present VCT1's annual running costs are around 2.9% which should drop to around to 2.1% at full subscription. VCT2 has a cap in place which is limiting the fees to 3.5%. This will not change at full subscription.

The performance incentive is 20% of any dividends paid above 6p per annum, provided that the net asset value stays above 95p. First payment will only be made in year four and will be based on the cumulative performance of the first four years. Underperformance in any year will need to be made up in later years. VCT1 is not near making a performance fee pay-out whereas VCT2 is close to making one.

Tax Efficient Review rating: 8 out of 10

Conclusion

An offer to invest in two AIM based VCTs run by Giles Hargreave and his team at Hargreave Hale. Unusually investors decide on how they allocate their investment between the two VCTs, which can be zero or any amount starting at the £3,000 minimum up to the tax year maximum of £200,000.

Hargreave Hale VCT 1 was raised under the Post-April 2000/Pre-April 2006 rules (investee companies must have gross assets prior to the VCT investing of less than £15m) and Hargreave Hale VCT 2 was raised under the Post-April 2006/Pre-April 2007 rules (investee companies must have gross assets prior to the VCT investing of less than £7m). We think this makes VCT 1 potentially more attractive as it will be able to invest in significantly larger companies.

The performance of the VCTs within their peer grouping by year of launch shows a very creditable performance and must make this offer of interest to any investor thinking that this is a good point at which to re-enter the AIM market.

Tax Efficient Review rating: 85 out of 100

Ingenious Solar VCT 1 & 2

Type	Clean/Green VCT with exit decision taken by investor
Size	£30m
Manager	Ingenious Ventures, a trading division of Ingenious Asset Management Limited
Sponsor	Howard Kennedy
Focus	UK solar assets accessing the 25 year Government mandated index-linked feed-in tariff
Funds initially invested	Non-qualifying yielding assets including cash and money market funds,
Minimum subscription	£3,000
Close	5 April 2011/29 July 2011
Commission	Upfront option (3% upfront) or trail option (2.5% upfront plus 0.25% p.a. for five years)

Strategy

A new £30m Planned Exit VCT focusing on solar assets in the UK.

The VCT will invest in a portfolio of Investee Companies which either themselves or through subsidiaries will construct and operate Solar Facilities in locations across the south of the UK. The Solar Facilities should provide the Investee Companies with stable and attractive revenue streams underpinned by the recently introduced, UK Government mandated Feed-in Tariff (FiT) Scheme. The VCT will only invest in Investee Companies whose sites are fully developed and ready for construction, therefore the VCT will not be subject to "development risk". In addition, we believe that this VCT offering is the only one that has explicitly ruled out any investment outside the UK thus eliminating any uncertainty over currency risk and overseas regulatory and planning risks. The combination of proven and reliable technology and predictable levels of solar radiation should provide investors with a lower risk investment with regular tax-free income and upside potential.

The VCT also offers an attractive feature for investors - the individual roll-over option, which allows investors to individually choose whether they exit after year 5 or whether they wish to stay invested. This is similar to the option offered by Fortesight Solar VCT. With future FiT levels uncertain, it could be that early installers of Solar Facilities achieve a higher level of return than subsequent installers and this could be reflected in the yield this VCT achieves.

The Manager has partnered with the Low Carbon Group to provide priority access to a pipeline of investment opportunities being developed by the Low Carbon Group's UK solar development division. This should enable the VCT to deploy investors' funds in a timely fashion.

Earlybird offer

Investors subscribing for shares on or before 31 January 2011 (or if earlier, the date on which valid application for 2,000,000 shares has been received) will receive 15 additional shares for every 1,000 subscribed. The cost of any additional shares will be borne by Ingenious Media Investments Limited as Promoter.

UK FIT Scheme

On 1 April 2010, the UK Government introduced a new subsidy programme to incentivise individuals and businesses to install small scale renewable energy generating projects up to a maximum installed capacity of 5MW (the Feed-in Tariff or FiT Scheme). Under the FiT Scheme, generators of electricity from qualifying renewable sources will receive a payment from their electricity utility supplier for each kilowatt hour (kWh) that they generate (known as the Generation Tariff). This payment will be fixed and linked to the Retail Price Index for 20-25 years (depending on the type of renewable energy source; e.g. for solar the payment is guaranteed for 25 years) and will be payable under a long term Power Purchase Agreement (PPA). The

Table 1: Comparison of investment strategies of different “green/clean” EIS/VCT offerings

Source: Tax efficient Review 10 November 2010

	Anaerobic Digestion			Onshore Wind	Solar		
	Sewage AD	Farm AD	Food AD	Clusters of Small Wind turbines	Building mounted: Commercial	Building mounted: Residential	Ground mounted
Feed-in Tariff (index linked to RPI)	<500kW 11.5p >500kW 9p			<1.5kW 34.5p till 31/3/12 >1.5-15kW 26.7p till 31/3/13	< 4kW 41.3p on retrofitted buildings till 31/3/12 , then 37.8p until 31/3/13 >4-10kW 36.1p until 31/3/12, then 33p until 31/3/13 >10-100kW 31.4p until 31/3/12, then 28.7p until 31/3/13 >100kW-5MW 29.3p till 31/3/12, then 26.8p until 31/3/13		
Duration	20 years				25 years		
Key points	Large number of installations by water utilities	Large number of small installations on farms. Feed-stock is combination of farm waste. energy crops grown for AD use and animal slurry	Only 5 installations in UK.	Horizontal Axis Wind Turbines Vertical Axis Wind Turbines Multiple turbines on farms etc in rural areas. Large number of potential sites – the UK has the best wind resource in Europe. Track record of shorter planning periods	Potential enhanced rate paid for supplying commercial premise hosting arrays	At present 50% of output assumed to earn extra 3p being fed to grid as “smart meters” not installed. Drop in cost of array modules	Can be tracked but more expensive
Issues		1. Grid connection 2. Storage of digestate 3. Proximity of farm for offtake of digestate	1. Large investment required 2. Feedstock supply 3. Offtake of digestate	Rural grid connection can be expensive	1. Supply of host buildings 2. Shortage of installers/ maintainers acceptable to banks for funding	1. Needs near azimuth to South and suitable angle of tilt 2. Paperwork	Needs planning permission for change of use. – note planning permission issues only arise if a VCT/EIS is taking development risk
Performance (known as Load Factor and a % of 8,760 hrs/year times max output)		Very close to 100% annual utliisation. Performance driven by efficiency of engine converting methane to electricity	No UK statistics available. Most statistics are from Germany but are farm AD related rather than food AD	Performance factor usually 25-30% of total potential hours	Typically manufacturers guarantee equipment efficiency for 20 years or more, but evidence suggests existing solar installations last for over 30 years with only slight drops in performance. Solar installations have minimal moving parts, and once up and running, there are very few maintenance costs - the principal of which are cleaning the panels twice a year and replacing the inverter (a standard piece of equipment that converts DC electricity to grid-compatible AC current) every 8-10 years.	Performance factor usually 10%-15% of total potential hours	Typically manufacturers guarantee equipment efficiency for 20 years or more, but evidence suggests existing solar installations last for over 30 years with only slight drops in performance. Solar installations have minimal moving parts, and once up and running, there are very few maintenance costs - the principal of which are cleaning the panels twice a year and replacing the inverter (a standard piece of equipment that converts DC electricity to grid-compatible AC current) every 8-10 years.
Cost		c. £3.5m for 1mW plant		c. £60k for 15kW installed turbine	Lower cost due to scale. Currently c. £2.8m per megawatt peak of capacity, though market commentators predict that prices will fall	Currently c£3500/kW. Expected to drop to £3000/kW by 2012 as array and installation costs drop	Lower cost due to scale. Currently c. £2.8m per megawatt peak of capacity, though market commentators predict that prices will fall
Where will dedicated “Clean/Green” VCT/EIS offerings invest?							
Downing Low Carbon EIS				Approx 50% targeting multiple turbines in 15kW to 50kW range, on a single site.	Approx 50% solar pv projects in the south of the UK		May consider where planning permission has been obtained
Downing VCT				Aprox 50% targeting multiple turbines in 15kW to 50kW range, on a single site	Approx 50% solar pv projects in the south of the UK		May consider where planning permission has been obtained
Foresight Solar VCT					Second area in preference for investment. Anticipate 25% of fund	Third area in preference for investment. Anticipate 25% of fund	First area in preference for investment Anticipate 50% of fund
Foresight Solar EIS					Second area in preference for investment	Third area in preference for investment	First area in preference for investment
Goldfield Solar EIS Fund						Fully operational residential installations up to 4kWp	
Hazel Renewable Energy VCT 1 & 2				Across all categories the VCTs will not wish to take development risk therefore will be looking to acquire either fully operational sites or in the case of solar sites where construction is pending or underway (assuming all permits etc are in place).			
Ingenious Solar VCT					Investee companies should have requisite approvals so no development risk. Majority of investment will be in this area		YES
Triple Point Solar Fund					YES	YES	YES

generators of electricity will also receive a further payment for each kWh of electricity that they sell and they can either opt to receive a minimum guaranteed price under the FiT Scheme (currently 3p per kWh) or negotiate a (higher) price in the open market.

Investment Adviser

The Manager has appointed Low Carbon Limited ("Low Carbon") as its Investment Adviser to benefit from their sector knowledge and experience. Low Carbon is the investment management and advisory division of the Low Carbon Group, a group dedicated to developing, operating, financing and advising on European renewable energy facilities. Low Carbon will assist the Manager with sourcing and evaluating opportunities, arranging third party finance and structuring and operating the investments. The combination of the in-depth investment, financing and management experience of the Manager's team and the sector knowledge and expertise of the Investment Adviser's team will be of significant benefit to the VCTs. The Manager will have ultimate responsibility for making investment decisions on behalf of the VCT and for managing those investments.

The Manager will be responsible for paying all of Investment Adviser's fees out of its annual management fee and performance fee so there will be no additional cost to the VCT. Furthermore, the Investment Adviser will be incentivised through its share in the Manager's performance fee to deliver strong returns to the VCTs from their investments.

Deal pipeline

A key issue for any VCT is access to a strong deal pipeline. Through the Low Carbon Group, the Manager claims it will have priority access to a pipeline of investment opportunities developed by Low Carbon Solar UK Limited (Low Carbon Solar) under an agreed pricing structure.

Low Carbon Solar is the UK focused Solar Facility development division of the Low Carbon Group and has one of the strongest developer teams in the field in the UK (with 18 professionals (including ex surveyors, land agents and planners) managing accounts in the South West, the South, the East and Wales).

In addition, Low Carbon Solar have concluded deals with a number of Engineering Procurement and Construction (EPC) contractors to construct and install the Solar Facilities. One such contractor is Germany based Colexon who are one of the larger solar PV contractors in Europe and have installed in excess of 1,700 Solar Facilities of varying sizes across Europe.

Low Carbon Solar claim their rooftop and brownfield pipeline stands at in excess of 170MW with the pipeline of rooftop sites suitable for investment by the VCT standing at in excess of 75MW (note that the VCT only requires 7-10MW of sites to fully deploy its funds). In addition, the expected timeline for conversion of these pipeline projects into developed sites for acquisition is comfortably within the Manager's assumption for connection in their model (where the portfolio is connected on average by January 2012 and none after March 2012).

Whilst the VCT will have priority access to these investment opportunities, it is not obliged to source investments from Low Carbon Solar and the Investment Adviser will assist the Manager in identifying and evaluating investment opportunities from a range of developers. Furthermore, the Manager has taken steps to ensure that a robust conflicts policy is in place in relation to the recommendation of investments by the Investment Adviser and will closely monitor any conflicts. This relationship will be of significant benefit to the VCT in deploying its capital within the Manager's intended timeframe. In addition, the pricing structure agreed between the Manager and the Low Carbon Group will insulate the VCT from rises in prices that are likely to occur in this sector given the anticipated strong demand.

Table 1 part 1: Matrix of individual responsibilities - INGENIOUS SOLAR TEAM Data source Ingenious November 2010				
	William Watts	**John Cole**	**Mark Shorrock**	**Nick Pascoe**
VCT RELATED WORK				
Deal origination % Note 1	10%*	25%*	100%	100%
General enquiries % Note 2				
New deal doing %	35%*	40%*		
Investee board seats No.				
Sitting on Boards/Monitoring %	15%	25%		
Fund raising %	5%			
Internal issues %				
Exits %				
NON VCT WORK				
Non-VCT work %	35%	10%		
TOTAL	**100%**	**100%**	**100%**	**100%**
Years in venture capital	0 years	3 years	8 years	3 years
Years involved with VCTs	0 years	0 years	0 years	0 years
Years in renewable energy development and investment	4 years	3 years	8 years	4 years
Years with current team	1 year**	1 year**	1 year**	1 year**

* After approx 2 years this deal origination and execution time will be replaced by time spent on exits (initially monitoring the exit position)
** The Low Carbon Group team formed in 2009

Table 1 part 2: Matrix of individual responsibilities - INGENIOUS Data source Ingenious November 2010							
	Duncan Reid	**Paul Bedford**	**Patrick Bradley**	**Sebastian Speight**	**Adam Buchan**	**Indy Sangha**	**Nick Beveridge**
VCT RELATED WORK							
Deal origination % Note 1	25%	30%	10%	10%	5%	5%	10%
General enquiries % Note 2							
New deal doing %		25%		10%	30%	30%	20%
Investee board seats No.							
Sitting on Boards/Monitoring %	10%	25%		10%	30%	30%	30%
Fund raising %	10%						
Internal issues %							30%
Exits %		10%					
NON VCT WORK							
Non-VCT work %	55%	10%	90%	70%	35%	35%	10%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Years in venture capital	12 years	20 years	10 years	7 years	3 years	3 years	3 years
Years involved with VCTs	5 years	5 years	5 years	6 years	0 years	0 years	3 years
Years with current team	11 years	9 years	10 years	6 years	3 years	3 years	3 years

The focus of the VCT will be on roof-mounted installations. The principle advantages of targeting roof-mounted sites as opposed to ground mounted sites are: i) planning permission is often not required, and where planning is required the decision is made under devolved powers of the planning officer without recourse to the planning committee (therefore there is less possibility of a delay in deployment which can act as a drag on the fund), ii) a reduced likelihood of the requirement for a grid upgrade to deal with additional capacity burden, which again should reduce the risk of delay in deployment and iii) increased security (by virtue of the fact that the facility is on top of a building rather than on the ground). Note that the vast majority of Low Carbon Solar's suitable deal pipeline noted above is for roof-mounted installations.

Potential returns

In our view, investors need to look very carefully at the return figures being used in VCT/EIS prospectuses.

In terms of return, the Department of Energy and Climate Change (DECC) indicate that they have set FiTs at a level which is expected to offer projects a 5-8% return on investment. These are pre-tax, index-linked returns. The solar FIT is set for 25 years at a rate that increases with RPI and the current rates are for installations that are made before March 2012.

As the cost of technology, and particularly solar, is expected to decrease over time, the FIT rates for installations in the future are expected to be set lower (a process referred to as degression). That said, the VCT is expecting to make all of its investments at the highest tariff and future reductions in the tariff should only affect installations made after that date, but not the investments made by the Fund.

What returns can an investor in a VCT or EIS vehicle expect and can it generate annual cash flows allowing it to cover its running costs and make annual distributions or will it need to dip into capital to continue to pay distributions?

We think returns to investors could be significantly less than the 5-8% targeted by Government and could be driven down by a number of possible factors:

1. The technology may not deliver expected load factors. Solar investments have less possibility to deliver higher returns than predicted as the potential for more sun
2. The rate of investment may be slower than expected and therefore returns will start later. In the case of FITs of course the installations must be made by March 2012 to access current FIT tariffs.
3. The profit potential will depend on the ability of the Low Carbon Solar team to establish relationships with installers, banks and other key counterparties and create a pipeline of investment opportunities. In this new and unproven area we remain to be convinced that managers will access profitable deal-flow and that investors will receive a correct profit share. A market with time-constrained investors (VCTs having to invest within three years) seeking time-constrained investments (installations that can receive the current FIT tariff must be made by March 2012) is a situation where developers and site owners will be able to set the prices.

Investors should approach the solar investments with a low expectation level as we see this area as immature and still prone to delays and problems.

The objective of the Manager is to realise returns in the range 108p to 130p for investors seeking to exit after the five year holding period.

The Manager has assumed for modeling purposes that on average, the full portfolio is connected by January 2012. The Manager is monitoring closely Low Carbon Solar's full pipeline of suitable deals and considers that the expected conversion of these pipeline projects into developed sites for acquisition is comfortably within this modeling assumption.

The pricing assumption that the Manager has used in the model to achieve the 130p return is within the pricing structure that has been agreed between the Manager and the Low Carbon Group. As such, the VCT and its returns are shielded from upward pressure on the market price for these assets (which is likely to occur as investor demand for these assets (and their strong predictable cashflows) increases . Further, the VCT will benefit from the Low Carbon Group's purchasing power and scale and speed of project execution and build out. Finally, as the VCT is not obliged to source investments from Low Carbon Solar and will be actively seeking deals from other sources (with the assistance of the Investment Adviser) it will be in a position to benefit from deals that are priced on more favourable terms than the pricing structure agreed with Low Carbon Group.

The returns outlined above have assumed that no third party leverage is used to acquire the Investee Companies. If leveraged acquisitions or subsequent refinancings take place then returns to investors could be significantly higher than those outlined above.

Exit

As noted above, investors will be offered a roll-over option which allows them to individually choose whether they exit after year 5 or whether they wish to stay invested.

The Manager considers that the most likely exit route would be a sale of the investee companies (as one or more packages) to a financial buyer (e.g. infrastructure fund, pension fund, insurance group etc) or trade buyer (e.g. a utility group). At this point the sites will have been operational for an average of at least 5 years and will therefore have a strong track record of cash generation. They should therefore present very attractive investment opportunities for a buyer of a stable yield asset.

Refinancing of the investee companies on a portfolio basis would also realise significant cash that could be returned to investors. At this stage the Investee Companies will have established cashflows, and it is likely therefore that lending could be secured on favourable terms.

Manager

The Manager of the VCT is Ingenious Ventures which is the trading name of the venture capital arm of Ingenious Asset Management Limited, a wholly owned subsidiary within the Ingenious Group. The Ingenious Group, established in 1998, is a specialist investment and advisory business operating a number of specialist funds and has in excess of £6.5 billion of funds under management.

The Manager has experience of successfully structuring and managing investment opportunities with an investment team that has nearly 40 years of combined experience in the management of venture capital and structured investments.

Ingenious Ventures is the manager of the Ingenious Music VCTs, the Ingenious Live VCTs and the Ingenious Entertainment VCTs and has established itself as one of the leading specialist VCT managers, raising £100m since launching its first VCT in 2004. Ingenious Ventures also manages Ingenious Ventures LP, a media venture capital fund which raised £25m in 2001, and IMAC, an AIM listed growth development capital fund focused on the media sector, which raised £150m in 2006.

Investment Adviser/Deal Flow

The Manager has appointed Low Carbon Limited ("Low Carbon") as Investment Adviser. Low Carbon, is the investment management and advisory division of the Low Carbon Group.

The Low Carbon Group was founded in 2009 by Mark Shorrock, William Watts, John Cole and other key members of its management team and is a development, investment and funds management group dedicated to developing, operating, financing and advising on domestic and international renewable energy facilities, with a current focus on the solar energy sector.

The Low Carbon Group now has a 32 strong team engaged principally in the development of solar projects in the UK and in advising on international investment in the solar sector. Since its inception, the Low Carbon Group has been actively operating in the solar sector. Its management team has provided investment advisory services to institutional investors on the acquisition strategy and execution of solar projects in Spain and Italy and is undertaking the development of its own solar projects in the UK and South Africa.

Low Carbon's management team have significant experience in the European renewable energy sector, having either advised on, or undertaken, the various stages of development, financing or operation of a portfolio of UK and European renewable energy projects in excess of 2,000MW (circa £3 billion worth). Specifically in solar energy, the Low Carbon management team have advised on for third parties or directly financed over Euro1 billion of solar parks in enterprise value.

Key members of the Investment Adviser's team are:

Mark Shorrock (40) is the Chief Executive Officer of Low Carbon Solar and principally focuses on the development side of the business, however, given his experience in the industry, he will also provide support to the Low Carbon advisory team. Mark founded Wind Energy Limited, a developer of onshore wind farms in Scotland, in 2003. Prior to its sale to US utility AES, Wind Energy had built up the largest independent portfolio of wind farms (in the planning phase) in the UK, with a pipeline of nearly 1GW of sites, the first of which, 22MW at North Rhins, is now in operation. In 2006 Mark then founded Low Carbon Investors Limited (a Jersey based entity), the investment manager of Low Carbon Accelerator Limited, an AIM listed £55m specialist investment fund, established as a response to the need for capital for early stage low carbon technologies. Low Carbon Accelerator Limited is a pioneering investment fund, whose investments are in companies that are developing technology for the transition to a low carbon economy. In 2008, Mark set up Low Carbon Solar Holdings to invest UK institutional capital in the Mediterranean basin. Low Carbon Solar Holdings received an exclusive mandate in 2009 from a large UK financial institution to identify, purchase and manage a portfolio of solar power plants. Following this, Mark went on to form the Low Carbon Group as described above.

William Watts (41) is a co-founder of the Low Carbon Group and is a director of Low Carbon. William had a long career in traditional money and bond markets in the UK, Europe and the US, culminating as Head of Liquidity of Rabobank with responsibility for proprietary trading and managing the bank's head office balance sheet. Having been involved for some years in the bank's sustainability drive, which included involvement in the development of the bank's carbon trading activity and green products for retail banking, William moved to the Renewable Energy and Infrastructure Finance Department. He worked as Senior Manager on a range of renewable energy projects on a global mandate, including both on and off shore, wind, biomass and biofuels, before taking over the role as Head of Solar. In this capacity he was responsible for the bank's portfolio of asset-based financing in solar infrastructure. This included solar energy production facilities and 8 completed solar power projects. The portfolio included the first thin-film PV project financing which William led in conjunction with HVB for a joint venture between AES and Riverstone, numerous crystalline PV projects in Spain, and the assessment and structuring of CSP projects using both parabolic trough and Fresnel technology.

John Cole (40) is a co-founder of the Low Carbon Group and is an Investment Director of Low Carbon. John qualified as a solicitor in Australia in 1997 and has advised on and executed M&A transactions in the financial services and energy industries in Europe and Australasia. He was formerly Director of European Development for Invenergy, where he grew the company's portfolio of European renewable energy assets through acquisition and joint ventures and shepherded a portfolio of pan-European projects through the development cycle with local partners. He has worked at a top tier Australian International law firm, was General Counsel at MLC, the largest integrated wealth management business in Australia and the third largest multi-manager in the world, and has held senior commercial positions with the National Australia Bank Group.

Key members of the Manager's team are:

Duncan Reid (52), Commercial Director of Ingenious Media, sharing his time between Ingenious Investments and Ingenious Ventures. Duncan is a member of the Manager's investment team and provides supervision and mentoring to the management of the IMAC portfolio companies as well as being a member of the investment committee of the Ingenious VCTs. Duncan qualified as a chartered accountant with Deloitte & Touche. He was then Business Development Manager for Andrew Lloyd Webber's Really Useful Group and later acted as Finance Director of Nottingham Forest plc during its floatation before founding the Ingenious Group with Patrick McKenna.

Paul Bedford (52) leads the investment management team which manages the Ingenious VCTs. Paul qualified as a chartered accountant in 1981 and, following his time at Deloitte & Touche, held a number of finance director positions in the independent sector, including at the 19 Entertainment Group, which was sold to U.S-based conglomerate CKX in 1995 for approximately £100 million. Paul has worked within the venture capital sector for over twenty years in both an investee and investor capacity and his team currently focuses on working closely with the VCTs' investee portfolios in order to generate maximum returns from the investments.

Patrick Bradley (50) is a director of the Manager and is a member of the Manager's investment team, where he led the investment and management of Ingenious Ventures LP and subsequently IMAC, as well as being a member of the investment committee of the Ingenious VCTs. Prior to joining Ingenious, Patrick spent over ten years in senior operating positions within major media companies including Polygram and Universal Pictures, @ Entertainment and UPC Media. Patrick has worked on numerous transactions including PolyGram's acquisition of 30% of the Really Useful Group and its acquisition of Motown Records A&M Records, Island Records, Palace Pictures and Working Title. He was also General Counsel to investment company Ilchester Investments.

Sebastian Speight (42) is a director of Ingenious Investments and is a member of the Manager's investment committee of the Ingenious VCTs. Sebastian is responsible for the origination of new investment funds within Ingenious. Sebastian qualified as a solicitor in 1996 and spent the majority of his legal career at Allen & Overy, which he left as a senior banking associate to join Ingenious in 2003. For the last eight years he has worked across the media investment funds operated by Ingenious in the film, music, television and video games sectors, actively analysing new investments opportunities.

Costs Initial costs payable to Ingenious Media Investments Limited as Promoter are fixed at 5.5% out of which commission is payable. The commission structure offered by the Promoter is either i) 3% upfront or ii) 2.5% upfront plus 0.25% p.a. for 5 years. We would like to emphasise that all commission amounts will be paid out of the Promoters fee. This is in contrast to some other VCT providers who pay high trail fees directly out of the VCT which clearly negatively impacts investor returns.

The Promoter notes however that if advisers introduce the same amount of investment into both the Ingenious Solar UK VCT Ordinary Share offer and the Ingenious Entertainment VCT E or F Share offers (subject to a minimum of £100,000 in each) the commission rate under i) above, will be increased to 3.25%. In addition the Promoter notes that volume business will be further rewarded.

The Manager will be paid the following by each VCT:

• an annual management fee of 1.75% of Net Asset Value;

• an annual administration fee of £17,500 (covering legal, financial reporting, company secretarial and similar administrative activities); and

• a performance related incentive fee equal to 20% of distributions to investors in excess of 105p and 30% of distributions in excess of 130p.

No arrangement fees or monitoring fees will be charged to the VCTs or investee companies by the Manager or the Investment Adviser.

Conclusion A new £30m Solar Planned Exit VCT. The VCT is aiming to return in the range £1.08 to £1.30 per share based on a low cost, lower risk asset class, with further upside potential. The combination of the in-depth investment, financing, consulting and operational management experience of the Manager's team and the sector knowledge and expertise of the Investment Adviser should be of significant benefit to the VCTs. In addition, the innovative deal that has been struck between the Manager and the Low Carbon Group in relation to priority access to deal pipeline should provide this VCT with a competitive advantage over other similar funds.

Tax Efficient Review rating: 84 out of 100