

This document comprises a prospectus relating to Troy Income & Growth Trust plc prepared in accordance with the prospectus rules and listing rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

The Directors of the Company, whose names appear on page 22 of this document, and the Company each accept responsibility for the information contained in this document. The Directors and the Company having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

TROY INCOME & GROWTH TRUST PLC

(incorporated in Scotland with registered no. SC111955 and registered as an investment company under section 833 of the Companies Act 2006)

Issue and admission of up to 55 million New Shares
in connection with the recommended proposals for the
reconstruction and winding up of Albany Investment Trust plc

Sponsored by
Dickson Minto W.S.

Application will be made to the UK Listing Authority for the New Shares to be admitted to the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in the New Shares will commence, at 8.00 a.m. on Tuesday, 21 August 2012.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus and the offering of New Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the New Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act. The attention of Overseas Albany Shareholders and other recipients of this document who are residents or citizens of any country outside the EEA States, the Channel islands and the Isle of Man is drawn to the section of this document entitled "Overseas investors" in Part 2 of this document.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Services Authority, is the sponsor and solicitor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Issue. Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Dickson Minto W.S. will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. and is not advising any other person in relation to any transaction contemplated in or by this document.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out on pages 10 to 14 of this document. Potential investors should also inform themselves as to the possible tax consequences and the legal requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription, holding or disposal of Shares.

TABLE OF CONTENTS

SUMMARY	3
RISK FACTORS	10
FORWARD LOOKING STATEMENTS	15
CHECKLIST OF DOCUMENTATION INCORPORATED BY REFERENCE	16
EXPECTED TIMETABLE	17
DEFINITIONS	18
DIRECTORS, INVESTMENT MANAGER AND ADVISERS	22
PART 1 TROY INCOME & GROWTH TRUST PLC	23
PART 2 DETAILS OF THE ISSUE	31
PART 3 FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)	36
PART 4 GENERAL INFORMATION	39

SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A—E (A.1—E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and warnings

Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Section B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	Troy Income & Growth Trust plc
B.2	Domicile and legal form	The Company was incorporated and registered in Scotland on 28 June 1988 as a public company limited by shares under the Companies Act 1985 with registered number SC111955. The Company operates under the Act and regulations made under the Act.
B.5	Group description	Not applicable. The Company is not part of a group.
B.6	Major shareholders	As at 11 July 2012, the Company was aware of the following interests in three per cent. or more of the issued share capital of the Company:

	<i>No. of Shares</i>	<i>Percentage of issued share capital</i>
Brewin Dolphin	16,034,243	10.21%
Lloyds Banking Group	9,181,312	5.85%
M&G Investment Management Limited	7,908,099	5.04%
Troy Asset Management Limited	6,309,974	4.02%
Henderson Global Investors	6,034,493	3.84%

The Directors are not aware of any person or persons who, following the Issue, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder.

B.7 Key financial information Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three financial years ended 30 September 2011 and for the six months ended 31 March 2011 and 31 March 2012 is set out in the following table:

	<i>Audited financial results for the year ended 30 September 2009</i>	<i>Audited financial results for the year ended 30 September 2010</i>	<i>Audited financial results for the year ended 30 September 2011</i>	<i>Unaudited financial results for the six months ended 31 March 2011</i>	<i>Unaudited financial results for the six months ended 31 March 2012</i>
Net asset value					
Net assets (£'000)	53,992	53,807	63,227	56,724	76,226
Net asset value per Share (p)	44.47	48.06	50.00	51.50	53.92
Share price (p)	42.00	47.75	49.63	51.00	54.25
Income					
Revenue return after expenses and taxation (£'000)	3,957	2,104	2,220	1,087	1,215
Revenue return per Share (p)	3.26	1.80	1.95	0.98	0.89
Dividend per Share (p)	3.00	1.80	1.92	0.95	1.0
Total expenses					
As a percentage of average total Shareholders' funds	1.42	1.21	1.34	0.7	0.64
Portfolio summary					
Shareholders' funds (£'000)	53,992	53,807	63,227	56,724	76,226
NAV/share price returns					
Net asset value return	(12.2%)	13.1%	7.9%	9.2%	10.0%
Share price return	(11.6%)	19.2%	7.8%	8.8%	11.4%

Since 31 March 2012 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial or trading position of the Company.

- B.8 Key *pro forma* financial information Not applicable. No *pro forma* financial information.
- B.9 Profit forecast Not applicable. No profit forecast or estimate made.
- B.10 Description of the nature of any qualifications in the audit report on the historical financial information Not applicable. The audit reports on the historical financial information contained within the document are not qualified.
- B.11 Working capital The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next twelve months from the date of this document).
- B.34 Investment policy The Company's investment objective is to provide Shareholders with an attractive income yield and the prospect of income and capital growth through investing in a portfolio of predominantly UK equities.
- The Company will also invest in asset classes other than equities when prospective returns appear to be superior to those from equity markets and are considered likely to exceed borrowing costs. However, non-equity securities will not constitute the majority of the portfolio. The Company may also use derivatives for the purpose of efficient portfolio management, to exploit an investment opportunity and to achieve capital growth.

The Company is permitted to hold up to 15 per cent. of gross assets in non-UK investments and will not invest more than 15 per cent. of gross assets in other listed investment companies.

The maximum level of gearing of the Company is 25 per cent. of net assets immediately following drawdown or acquisition (as the case may be). Subject to that maximum gearing level, the Board currently intends that the aggregate borrowings of the Company will be up to 15 per cent. of net assets immediately following drawdown.

B.35	Borrowing limits	<p>The maximum level of gearing of the Company is 25 per cent. of net assets immediately following drawdown or acquisition (as the case may be). Subject to that maximum gearing level, the Board currently intends that the aggregate borrowings of the Company will be up to 15 per cent. of net assets immediately following drawdown.</p> <p>The Company currently has no borrowings.</p>
B.36	Regulatory status	<p>Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not a regulated entity.</p>
B.37	Typical investor	<p>The Directors believe that the profile of a typical investor in the Company is an investor who is seeking an attractive level of income with the potential to obtain growth in both income and capital over the longer term. Such investors will typically be institutional investors, professionally advised private individuals or private individuals capable of evaluating the risks and merits of such an investment and investing in the Company as part of a portfolio approach.</p>
B.38	Investment of 20% or more in single underlying asset or investment company	<p>Not applicable. The Company will not invest more than 15 per cent. of gross assets in other listed investment companies or in a single underlying asset.</p>
B.39	Investment of 40% or more in single underlying asset or investment company	<p>Not applicable. The Company will not invest more than 15 per cent. of gross assets in other listed investment companies or in a single underlying asset.</p>
B.40	Applicant's service providers	<p><i>Investment management arrangements</i></p> <p>The Company's investment manager is Troy Asset Management Limited which has specialised in generating absolute returns for investors since its establishment in 2000. As at 30 June 2012, the Investment Manager managed approximately £4.03 billion of institutional fund mandates. Francis Brooke has principal responsibility within the Investment Manager for managing the Company's portfolio.</p> <p>Under the Investment Management Agreement, Troy has been appointed with responsibility for the management of the Company's assets subject to the overall supervision of the Directors. Troy manages the Company's investments in accordance with the policies laid down by the Directors and in accordance with the Company's investment policy.</p> <p>Under the terms of the Investment Management Agreement, Troy is entitled to receive an annual management fee, calculated monthly and payable quarterly in arrears, of 0.75 per cent. of the value of the Company's net assets. There will be no upward change in the basis of calculation of the annual management fee as a</p>

consequence of the Issue. The Investment Management Agreement is terminable by either party on six months' notice.

Secretarial and administration arrangements

Pursuant to the Secretarial Agreement, Steven Cowie (who is a director of PATAC) has been appointed as the Company's secretary and PATAC has been appointed to provide certain administrative services to the Company, for an annual fee of currently £99,750 with a three month notice period.

Custodian arrangements

HSBC Bank plc has been appointed as the principal custodian of the assets of the Company. The Custodian holds all of the cash, securities and other assets of the Company and arranges and settles all transactions relating to those assets as agent for the Company.

B.41	Regulatory status of investment manager and custodian	The Investment Manager is authorised and regulated by the Financial Services Authority. The Custodian is authorised and regulated by the Financial Services Authority.
B.42	Calculation of Net Asset Value	The net asset value of an Ordinary Share is calculated by the Company in accordance with the Company's accounting policies and is published daily through a Regulatory Information Service. The calculation of the Net Asset Value per Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.
B.43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44	No financial statements have been made up	Not applicable. The Company has commenced operations and historical financial information is included within the document.
B.45	Portfolio	The Company's portfolio comprises predominantly UK equities. As at 11 July 2012 (the latest practicable date prior to the publication of this document), the Company's portfolio comprised, by value, 97.4 per cent. equities and 2.6 per cent. preference shares.
B.46	Net Asset Value	The unaudited Net Asset Value per Share as at 11 July 2012 was £0.5451 including current income.

Section C – Securities

Element	Disclosure requirement	Disclosure
C.1	Type and class of securities	The Company will issue a maximum of 55 million ordinary shares of 25p each in the capital of the Company in aggregate under the Proposals. The ISIN of the New Shares is GB0003708665 and the SEDOL is 0370866.
C.2	Currency	Sterling
C.3	Number of securities to be issued	The Company will issue a maximum of 55 million New Shares in aggregate under the Proposals. There is no minimum subscription level for the Issue to proceed.
C.4	Description of the rights attaching to the securities	The New Shares will rank equally with the existing Ordinary Shares save that they will not qualify for the third interim dividend of 0.5p in respect of the quarter ended 30 June 2012 or the fourth

interim dividend for the period to 20 August 2012 which is expected to be paid in October 2012. The Directors expect to declare a fifth interim dividend for the period from 21 August 2012 to 30 September 2012 which is also expected to be paid in October 2012 and which the New Shares will qualify for.

C.5	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the New Shares.
C.6	Admission	Application will be made to the UK Listing Authority for the New Shares to be admitted to the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and that dealings in the New Shares will commence, at 8.00 a.m. on 21 August 2012.
C.7	Dividend policy	The Company's dividend policy is to provide Shareholders with an attractive income yield that is higher than the dividend yield on the FTSE All-Share Index from time to time. It is the Directors' policy to procure that the Company pays quarterly dividends in January, April, July and October of each year. In the absence of unforeseen circumstances and assuming a reasonable level of dividend growth in the portfolio, it is the Directors' intention that the dividend paid by the Company will grow over time (this is not a forecast of profits). The Company has declared an interim dividend in respect of the quarter ended 30 June 2012 of 0.5p. The Directors expect to declare a fourth interim dividend for the period to 20 August 2012 and a fifth interim dividend for the period from 21 August 2012 to 30 September 2012 which will both be paid in October 2012. It is the Directors intention, barring unforeseen circumstances, that the aggregate amount of the fourth and fifth interim dividends will be 0.525p per Share.

Section D – Risks

Element	Disclosure requirement	Disclosure
D.2	Key information on the risks specific to the issuer	<p>The principal risk factors relating to the Company are:</p> <ul style="list-style-type: none"> ● the value of an investment in the Company, and the income derived from it, may go down as well as up; ● changes in economic conditions and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects; ● the past performance of the Company, and of investments managed by the Investment Manager, are not necessarily indicative of future performance; ● there is no guarantee that the Company's investment objective will be achieved or provide the returns sought by the Company; ● the Company does not seek to track any benchmark. Accordingly, the portfolio of investments held by the Company will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Shares failing to follow either the direction or extent of any moves in the financial markets generally; ● the Company attempts to conduct its business so as to

satisfy the conditions for approval as an investment trust under section 1158 of the Tax Act. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains. Breach of the tests that a company must meet to obtain approval as an investment trust company could lead to the Company being subject to tax on capital gains;

- the fair value of equity and other financial securities held in the Company's portfolio fluctuates with market prices; and
- some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate.

New Shares are only suitable for investors:

- who understand the potential risks of loss to the value of their investment and who have sufficient resources to bear any loss which might result from such investment;
- for whom an investment in the New Shares constitutes part of a diversified investment portfolio;
- who are prepared to take a long-term investment view; and
- who understand and are willing to assume the specific risks involved in investing in the Company.

D.3 Key information on the risks specific to the securities.

The principal risk factors relating to the Shares are:

- The market value of, and the income derived from, the Ordinary Shares can fluctuate and, notwithstanding the Company's discount and premium control policy, may not always reflect the net asset value per Share; and
- Although the New Shares will be listed on the Official List and admitted to trading on the London Stock Exchange, it is possible that, notwithstanding the Company's discount and premium control policy, there may not be a liquid market in the New Shares and Shareholders may have difficulty in selling them.

Section E – Offer

Element	Disclosure requirement	Disclosure
E.1	Net proceeds and costs of the Issue	The aggregate costs and expenses to be incurred by the Company in connection with the Proposals are estimated to be approximately £320,000 (including irrecoverable VAT and stamp duty payable on the transfer of the assets constituting the Rollover Pool from Albany to the Company). If the Albany Scheme becomes unconditional, Troy Asset Management Limited will meet the Company's costs in connection with the Proposals to the extent that those costs are not covered by the premium to net asset value at which the New Shares are issued to Albany Shareholders. If the Albany Scheme does not become effective, the Company will incur abort costs estimated at approximately £125,000 (including irrecoverable VAT). Troy has agreed bear any abort costs incurred by the Company if the Albany Scheme does not become effective. Albany will meet its own costs associated with the Proposals, subject to a contribution by Troy to the Rollover Pool in

		an amount equal to 0.1875 per cent. of the value of the assets comprised in the Rollover Pool as at the Calculation Date (thereby reducing the costs suffered by those Albany Shareholders electing, or deemed to have elected, for the Rollover Option).
E.2 A	Reason for offer and use of proceeds	<p>As announced on 12 June 2012, the Company has reached agreement in principle with Albany, in respect of a merger of the assets of the Company and Albany through a scheme of reconstruction and winding up of Albany. Albany is an investment trust which, like TIGT, is a constituent of the AIC's UK Growth & Income sector. The Company will be offered as the rollover option for the Albany Shareholders.</p> <p>If the Proposals are implemented, Albany Shareholders will be entitled to receive New Shares and/or cash in respect of their investment in Albany. Under the Proposals, the Company will acquire that part of the undertaking of Albany which represents the interests of Albany Shareholders who elect, or are deemed to have elected, for New Shares in exchange for the issue to such Albany Shareholders of New Shares. The assets to be transferred to the Company will primarily comprise investments in securities of publicly quoted companies and cash and/or near cash assets.</p> <p>The New Shares are only available to Albany Shareholders under the Albany Scheme.</p>
E.3	Terms and conditions of the offer.	<p>The Issue is conditional upon:</p> <ul style="list-style-type: none"> ● the passing of the resolutions to approve the Albany Scheme at the general meetings of Albany Shareholders and the Albany Scheme becoming unconditional; ● the satisfaction of the Admission Condition; and ● neither the Directors nor the Albany Directors resolving to abandon the Proposals on the basis that the abandonment of the Proposals is in the best interests of their respective shareholders. <p>If any of these conditions is not satisfied by 30 September 2012, no part of the Proposals will become effective and no New Shares will be issued.</p>
E.4	Material interests	Not applicable. No interest is material to the Issue.
E.5	Name of person selling securities	Not applicable. No person or entity is offering to sell the security as part of the Issue.
E.6	Dilution	Not applicable.
E.7	Expenses charged to the investor	Not applicable. No expenses charged to the investor by the Company.

RISK FACTORS

The risk factors set out below are those which the Directors consider to be material but are not the only risks relating to the Company or the Ordinary Shares. There may be additional risks that the Directors do not currently consider to be material or which are not presently known to the Directors. Before investing in the Ordinary Shares, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other suitably qualified and independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are in the United Kingdom or, in the case of overseas investors, another appropriately authorised financial adviser.

Potential investors should carefully consider all the information in this document, including the following risk factors, before deciding to invest in the Company.

General

An investment in Ordinary Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, changes in the law, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

The past performance of the Company and of investments managed by the Investment Manager, are not necessarily indicative of future performance.

The Shares

The market value of, and the income derived from, the Ordinary Shares can fluctuate and, notwithstanding the Company's discount and premium control policy, may not always reflect the net asset value per Share. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. No assurance can be given that any sale of the Company's investments would realise proceeds which would be sufficient to repay any borrowings or provide funds for any capital repayment to Shareholders. Shareholders will bear the rewards and risks of the success or otherwise of the Company's investments.

The market value of the Ordinary Shares, as well as being affected by their net asset value, also takes into account their dividend yield and prevailing interest rates, supply and demand for the shares, market conditions and general investor sentiment. As such, the market value of an Ordinary Share may vary considerably from its underlying net asset value.

Although the New Shares will be listed on the Official List and admitted to trading on the London Stock Exchange, it is possible that, notwithstanding the Company's discount and premium control policy, there may not be a liquid market in the New Shares and Shareholders may have difficulty in selling them.

Risks relating to the Proposals

The implementation of the Proposals is subject to a number of conditions, details of which are set out in Part 2 of this document, and there is no certainty that the Proposals will become effective. The implementation of the Proposals is conditional upon the passing of resolutions to approve the Albany Scheme at general meetings of Albany. In the event that any of the conditions are not satisfied, the Proposals will not be implemented.

Under the terms of the Transfer Agreement, the Company will acquire certain assets of Albany. Prior to the transfer of the assets the Albany portfolio will be re-designed, having regard to the extent of elections made by Albany Shareholders so as largely to comprise securities which the Company wishes to receive which are in line with the Company's investment objective and policy. The same risk factors as apply to the Company's existing investments therefore apply to the investments to be transferred to the Company by Albany under the Proposals.

The respective net assets of the Company and Albany are expected to be valued as at close of business on 16 August 2012 (the "Calculation Date") for the purpose of calculating Albany

Shareholders' entitlements to New Shares under the Albany Scheme. Assets will be transferred to the Company as soon as practicable following the Effective Date, which is expected to be 20 August 2012. Movements in the value of either company's assets relative to the value of the other company's assets during the intervening period may have a positive or negative effect on the value of entitlements of Albany Shareholders.

Borrowing

The Company may incur borrowings for investment purposes. Whilst the use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Shares. As a result, the use of borrowings by the Company may increase the volatility of the net asset value per Share.

There is no guarantee that any borrowings of the Company would be refinanced on their maturity either at all or on terms that are acceptable to the Company.

Dividends

The Company will only pay dividends on the Ordinary Shares to the extent that it has profits (including available reserves) available for that purpose, which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipt. The amount of dividends payable by the Company may fluctuate. The level of available revenue reserves per Ordinary Share will be diluted by the issue of any new Ordinary Shares.

If under UK law or accounting rules and standards applicable to the Company there were to be a change to the basis on which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends.

Apportionment of costs

As a result of the Company's policy of charging to capital 65 per cent. of management fees and finance costs, maintenance of its net asset value requires that the Company's portfolio achieves capital growth equivalent to the total amount of such costs charged to capital and that all other costs are covered by income.

Investment objective and strategy

The Company is likely, from time to time, to maintain a more concentrated portfolio (both in terms of individual holdings and in terms of its exposure to particular industries) than those of many other investment funds. Accordingly, investors should be aware that the portfolio potentially carries a higher level of risk than a more diversified portfolio. Under the Proposals, the Company will acquire certain assets of Albany including cash. The investments transferred will be in line with the type of holdings already held by the Company and any cash will be invested in line with the Company's current investment strategy and as such the concentration of the portfolio will not be materially effected.

The number, quality and size of investment opportunities, and general market and economic conditions, may lead to delays in investing the net proceeds of issues of new Ordinary Shares by the Company from time to time. If corporate bond or equity prices rise or fall significantly before the net proceeds are fully invested, the potential returns available to Shareholders may differ from the returns which would have been available on the Company's existing portfolio.

There is no guarantee that the Company's investment objective will be achieved.

The Company may from time to time invest in other listed investment companies. As a consequence of these investments, the Company may itself be indirectly exposed to gearing through the borrowings from time to time of these other investment companies. The Company has a policy of not investing more than 15 per cent. of its gross assets in other listed investment companies. The net asset value of an Ordinary Share, which is a factor in determining the market value of the Ordinary Shares, will be linked to the underlying share price performance of any such other investment companies.

The Company does not seek to track any benchmark. Accordingly, the portfolio of investments held by the Company will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Shares failing to follow either the direction or extent of any moves in the financial markets generally (which may or may not be to the advantage of Shareholders). The

Shares are an unsuitable investment for those who seek investments in some way correlated to a stock market index.

Corporate bonds

Corporate bonds are subject to credit, liquidity, duration and interest rate risks. Adverse changes in the financial position of an issuer of corporate bonds or in general economic conditions may impair the ability of the issuer to make payments of principal and interest or may cause the liquidation or insolvency of an issuer. There can be no assurance as to the levels of default and/or recoveries that may be experienced with respect to corporate bonds.

To the extent that the Company invests in non-investment grade securities, the Company may realise a higher yield than the yield offered by investment grade securities, but investment in such securities involves a greater volatility of price and a greater risk of default by the issuers of such securities, with consequent loss of interest payment and principal. Non-investment grade securities will have, in the judgment of a rating agency, uncertainties of risk exposure to adverse conditions and will be speculative with respect to an issuer's capacity to meet interest payments and repay principal in accordance with its obligations.

Owing to the high yield nature of certain of the Company's existing and intended investments, the market values of such investments could be adversely affected by a change in market sentiment or a general rise in interest rates. As investments of the Company mature, it may be difficult for the Company to obtain replacement investments having similar financial characteristics.

Debt instruments held by the Company will be affected by general changes in interest rates that will, in turn, result in increases and decreases in the market value of those instruments. When interest rates decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise and, when interest rates rise or are expected to rise, the value of those investments can be expected to decline.

Convertibles

As convertibles are fixed interest or fixed dividend securities, they share in large part the same characteristics as normal debt securities and, accordingly, the risk factors set out above in the section entitled "Corporate bonds" apply equally in relation to convertibles. However, in addition, as convertibles may be converted into equities at a future date, convertibles will be sensitive to the market value of the equities to which they relate (the market value of which may go down as well as up).

Credit and counterparty risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's principal financial assets are investments, bank balances, cash and other receivables, which represent the Company's exposure to credit risk in relation to financial assets. The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid and to pay for securities which the Company has delivered. Risks relating to unsettled transactions are considered by the Company to be small as a result of the relatively short settlement period involved and the credit quality of the brokers used. Substantially all of the assets of the Company other than cash deposits are held by the Company's custodian. Bankruptcy or insolvency of the custodian might cause the Company's rights in respect of the securities held by the custodian to be delayed or limited. The Company seeks to limit the credit risk on liquid funds and derivative financial instruments by engaging with counterparties which are banks with high credit ratings, rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of any such financial institution may limit or delay the Company's ability to access cash placed on deposit.

Market price risk

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues including the market perception of future risks.

Interest rate risk

Some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Foreign currency risks

Some of the Company's investments are in overseas securities. The Company accounts for its activities and reports its results in pounds sterling. Where the Company does not hedge its currency exposure, the movement of exchange rates may have a favourable or unfavourable effect on the gains and losses experienced on investments which are made or realised in currencies other than pounds sterling.

Discount and premium control policy

The Company operates a discount and premium control policy as explained on page 26 of this document. The operation of the discount control element of this policy could lead to a significant reduction in the size of the Company over time, which would increase the Company's total expense ratio and prejudice the ability of the Company to maintain its target dividend yield. While the Company intends to issue new Shares and to resell Shares held in treasury at a small premium to the Net Asset Value per Share where demand exceeds supply, this will be dependent upon the Company being able to issue new Shares and to resell Shares held in treasury at a premium, on market conditions generally at the relevant time, upon Shareholders in general meeting conferring appropriate authorities on the Board to issue further Shares and, where required under the Prospectus Rules, upon a prospectus having been approved by the Financial Services Authority and published. The ability of the Company to operate the discount control policy will depend on the Company being able to buy back Shares, which will be dependent upon Shareholders in general meeting conferring authority on the Board to buy back Shares. The Directors will seek renewal of this authority from Shareholders annually and at other times should this prove necessary. However, there can be no guarantee that requisite Shareholder approvals will be obtained.

In accordance with the Listing Rules, the extent of each buy-back authority which will be sought by the Company from Shareholders in general meeting will be limited to 14.99 per cent. of the Company's issued share capital as at the date on which the authority would be granted. In order to continue buying back Shares once any such authority has been exhausted, the Company would require to seek a renewed buy-back authority from Shareholders in general meeting.

The ability of the Company to buy back Shares will be subject to the Act and all other applicable legislation, rules and regulations of any government, regulatory body or market applicable to the Directors or the Company and, in particular, will be dependent on the availability of distributable reserves. The use of the Company's distributable reserves to effect buy-backs of Shares may prejudice the ability of the Company to sustain its targeted dividend yield.

Cessation of investment trust status

The Company attempts to conduct its business so as to satisfy the conditions for approval as an investment trust under section 1158 of the Tax Act. In respect of each accounting period for which the Company is an approved investment trust, the Company will be exempt from United Kingdom taxation on its capital gains. Breach of the test that a company must meet to be an approved investment trust company could lead to the Company being subject to tax on capital gains.

Tax and accounting

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of investors are based upon current tax law and practice which are, in principle, subject to change.

Any change in accounting standards may adversely affect the value of the Company's assets in its books of account or restrict the ability of the Company to pay dividends.

Regulation

The AIFM Directive came into force in July 2011 and is due to be enacted in the national laws of member states of the European Union by July 2013. The AIFM Directive seeks to regulate

alternative investment fund managers (in this paragraph, “AIFM”) based in the EU and prohibits such managers from managing any alternative investment fund (in this paragraph, “AIF”) or marketing shares in such funds to EU investors unless authorisation is granted to the AIFM. In order to obtain such authorisation, and be able to manage the AIF, an AIFM will need to comply with various obligations in relation to the AIF. Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that impair the ability of the Investment Manager to manage the investments of the Company, impose significant additional costs or limit the Company’s ability to market future issues of its Shares, may adversely affect the Company’s ability to carry out its investment strategy and achieve its investment objective.

The United States Congress recently enacted legislation that, if the Company is characterised as a “foreign financial institution”, will require the Company to enter into an agreement with the US Internal Revenue Services (the “IRS”) that may require the Company to obtain information about its Shareholders and to disclose information about its US shareholders to the IRS. The Company could become subject to a 30 per cent. withholding tax on certain payments of (or attributable to) US source income to the Company if it does not enter into such an agreement, is unable to obtain required information about its US Shareholders, or otherwise fails to satisfy obligations under the agreement. Additionally, if the Company does not enter into such an agreement with the IRS, the 30 per cent. withholding tax could be imposed on some or all of the payments made to Shareholders that do not provide the required information. Further, if the Company is not characterised as a “foreign financial institution”, it nevertheless may become subject to such 30 per cent. withholding tax on certain payments of (or attributable to) US source income unless it either provides information to withholding agents with respect to its “substantial US owners” or makes certain certifications. As a result, Shareholders may be required to provide any information that the Company determines necessary to avoid the imposition of such withholding tax or in order to allow the Company to satisfy such obligations. It is not clear as at the date of this Prospectus whether or not the Company will be characterised as a “foreign financial institution” for these purposes and/or whether this regime will apply to the Company.

FORWARD LOOKING STATEMENTS

To the extent that this document includes “forward looking statements” concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Information in this document will be updated as required by the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, as appropriate.

CHECKLIST OF DOCUMENTATION INCORPORATED BY REFERENCE

Information contained in the published annual report and accounts of the Company for the three financial years ended 30 September 2009, 30 September 2010, 30 September 2011 and the published unaudited interim reports of the Company for the six months ended 31 March 2011 and 31 March 2012 as specified in the table below is incorporated by reference into this document. The parts of those annual and interim reports and accounts which are not being incorporated by reference into this document are either not relevant for investors or are covered elsewhere in this document.

Information incorporated by reference	Document reference					
	<i>Statutory Accounts for Year ended</i>			<i>Interim report for the six months ended</i>		
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2011</i>	<i>2012</i>	<i>2012</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Corporate summary	2 to 3	2 to 3	2 to 3	n/a	n/a	n/a
Chairman's statement	4 to 5	4 to 5	4 to 5	2	2 to 3	2 to 3
Investment Manager's review	6 to 7	6 to 7	6 to 7	n/a	n/a	n/a
Financial highlights	8 to 10	8 to 10	8 to 10	1	1	1
Portfolio	11 to 13	11 to 13	11 to 13	4 to 6	4 to 6	4 to 6
Audit report	26	27	27-28	n/a	n/a	n/a
Income Statement	27	28	29	7	7	7
Balance sheet	28	29	30	8	8	8
Statement of changes in equity	29	30	31	9	9	9
Statement of cash flow	30	31	32	10	10	10
Notes to the financial statements	31 to 46	32 to 48	33 to 49	11 to 13	11 to 13	11 to 13

Information contained in Part 2 of the prospectus published by the Company on 3 July 2012 in relation to the issue of new Ordinary Shares in connection with the Company's participation in the Grampian Scheme is also incorporated by reference into this document.

The documents incorporated by reference can be obtained from the Company's website, www.tigt.co.uk and as set out in paragraph 11 of Part 4 of this document.

EXPECTED TIMETABLE

2012

First general meeting of Albany	12.30 p.m. on 9 August
Calculation Date	close of business on 16 August
Second general meeting of Albany	12.30 p.m. on 20 August
Effective Date for the Albany Scheme	20 August
Admission and dealings commence in New Shares and CREST accounts credited in respect of New Shares issued in uncertificated form	8.00 a.m. on 21 August
Certificates despatched in respect of New Shares issued in certificated form	Week commencing 27 August

Notes:

- (1) The dates set out in the expected timetable above may be adjusted by the Company, in which event details of the new dates will be notified to the UK Listing Authority and the London Stock Exchange and an announcement will be made through a Regulatory Information Service.
- (2) All references to time in this document are to London time (unless otherwise stated).
- (3) In this document, where the context requires, references to 11 July 2012 should be treated as being references to the latest practicable date prior to publication of this document (unless otherwise stated).

DEALING CODES

	<i>Ordinary Shares</i>
ISIN	GB0003708665
SEDOL	0370866

DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

“1985 Act”	the Companies Act 1985 (as amended)
“Act”	the Companies Act 2006 (as amended)
“Admission”	the admission of the New Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities
“Admission Condition”	(i) the UKLA having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) (“listing conditions”) will become effective as soon as dealing notice has been issued by the Financial Services Authority and any listing conditions having been satisfied; and (ii) the London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the New Shares will be admitted to trading
“Albany”	Albany Investment Trust plc, a company incorporated in England and Wales with registered number 00429589 whose registered office is at Port of Liverpool Building, 4th Floor, Pier Head, Liverpool L3 1NW
“Albany FAV”	the cum income net asset value of Albany calculated as at the Calculation Date in accordance with the Albany Scheme and Albany’s accounting policies and after providing for all Albany’s current and future liabilities, contingent and unascertained liabilities and the costs of implementing the Proposals
“Albany Liquidators”	the liquidators of Albany to be appointed pursuant to a resolution to be passed by the Albany Shareholders at a general meeting to be held on 20 August 2012
“Albany Shareholders”	holders of Albany Shares
“Albany Shares”	ordinary shares of 20p each in the capital of Albany
“Articles”	the articles of association of the Company, as amended from time to time
“Auditors”	Ernst & Young LLP
“Australia”	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
“Calculation Date”	the time and date on which the value of Albany’s assets and the Company’s assets will be calculated for the purposes of the Albany Scheme and the Proposals (which is expected to be close of business on 16 August 2012)
“Canada”	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
“Cash Contribution”	the contribution agreed to be made by the Manager to Albany (if the Scheme becomes effective) which shall be allocated to the Rollover Pool and which shall be equal to 0.1875 per cent. of the value of the Rollover FAV on the Calculation Date
“Cash Option”	the option for Albany Shareholders to elect to receive cash in respect of some or all of their holding of Albany Shares under the Albany Scheme

“Company” or “Issuer” or “TIGT”	Troy Income & Growth Trust plc, a company incorporated in Scotland (registered number SC111955), whose registered office is at 10 St Colme Street, Edinburgh EH3 6AA
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
“Custodian”	HSBC Bank plc
“Directors” or “Board”	the directors of the Company
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time
“EEA States”	the member states of the European Economic Area
“Effective Date”	the date on which the Albany Scheme becomes effective (which is expected to be 20 August 2012)
“fair value”	the amount for which an asset or liability could be exchanged in an arm’s length transaction between unrelated, willing parties
“FAV per Ordinary Share”	the TIGT FAV divided by the number of Ordinary Shares in issue on the Calculation Date.
“FTSE”	FTSE International Limited
“FTSE 100 Index”	the index calculated by FTSE comprising the 100 most highly capitalised listed companies
“FTSE 250 Index”	the index calculated by FTSE comprising mid-capitalised listed companies not contained in the FTSE 100 Index
“FTSE All-Share Index”	the index calculated by FTSE comprising the FTSE 100 Index, the FTSE 250 Index and the FTSE SmallCap Index
“FTSE SmallCap Index”	the index calculated by FTSE comprising those listed companies with the smallest capitalisation
“Grampian”	Grampian Investment Trust plc, a company incorporated in Scotland with registered number SC009164 whose registered office is at 10 St Colme Street, Edinburgh EH3 6AA
“Grampian Scheme”	the proposed scheme of reconstruction of Grampian under section 110 of the Insolvency Act 1986, details of which are set out in the prospectus published by the Company on 3 July 2012
“Investment Management Agreement”	the investment management agreement dated 28 July 2009 between the Company and the Investment Manager, further details of which are set out in paragraph 6.1 of Part 4 of this document
“ISA”	an individual savings account for the purposes of section 694 of the Income Tax (Trading and Other Income) Act 2005
“Issue”	the allotment and issue of the New Shares pursuant to the Proposals
“Japan”	Japan, its cities, prefectures, territories and possessions
“Listing Rules”	the listing rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time
“London Stock Exchange”	London Stock Exchange plc

“NAV” or “Net Asset Value”	in relation to a share, means its net asset value on the relevant date calculated on the basis of the relevant company’s normal accounting policies
“New Shares”	the new Shares to be issued pursuant to the Proposals
“Official List”	the official list of the UK Listing Authority
“Overseas Albany Shareholders”	Albany Shareholders who have a registered address outside the EEA States, the Channel Islands and the Isle of Man or who are resident in, or citizens or nationals of, jurisdictions outside the EEA States, the Channel Islands and the Isle of Man
“Proposals”	the proposals for the issue of new Shares pursuant to the Albany Scheme and all ancillary matters
“Prospectus”	this document
“Prospectus Rules”	the prospectus rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time
“Regulatory Information Service”	a regulatory information service that is on the list of regulatory information services maintained by the Financial Services Authority
“Rollover FAV”	the amount equal to that part of the Albany FAV which is attributable to Albany Shareholders who have elected or are deemed to elect for the Rollover Option
“Rollover Option”	the option for Albany Shareholders to roll over some or all of their investment into the Company in accordance with the Scheme
“Rollover Pool”	the pool of assets to be established by Albany under the Albany Scheme to be transferred to the Company pursuant to the Transfer Agreement
“Rollover Premium”	an amount equal to one per cent. of the TIGT FAV
“Scheme” or “Albany Scheme”	the scheme of reconstruction and voluntary winding up of Albany under section 110 of the Insolvency Act 1986
“Secretarial Agreement”	the secretarial and administration agreement dated 30 June 2010 between the Company and PATAC, further details of which are set out in paragraph 6.3 of Part 4 of this document
“Secretary” or “PATAC”	Personal Assets Trust Administration Company Limited
“Shareholder”	a holder of Shares
“Shares” or “Ordinary Shares”	ordinary shares of 25p each in the capital of the Company
“SIPP”	a self-invested personal pension plan
“SSAS”	a small self-administered pension scheme
“Takeover Code”	the City Code on Takeovers and Mergers
“Tax Act”	the Corporation Tax Act 2010
“TCGA”	the Taxation of Chargeable Gains Act 1992
“TIGT FAV”	the cum income net asset value of the Company as at the Calculation Date (adjusted to exclude any interim dividend expected to be paid by the Company in respect of the period ended 20 August 2012) calculated before taking into account any costs of the Scheme otherwise payable by the Company
“Total Assets”	the aggregate gross value of the assets of the Company less current liabilities of the Company (but there shall not be included as current liabilities principal amounts borrowed for investment)
“Transfer Agreement”	the agreement proposed to be entered into on or about the Effective Date among, <i>inter alia</i> , the Albany Liquidators (in their personal capacity and on behalf of Albany) and the Company

“Troy” or “Investment Manager” or “Manager”	Troy Asset Management Limited, a company incorporated in England and Wales (registered number 03930846), whose registered office is at 1 Little New Street, London EC4A 3TR
“UK Code”	the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010
“UK Listing Authority” or “UKLA”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended)
“United States” or “USA”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	Ronald George Hanna (Chairman) John (Ian) Mair Boyd Kevin Hart David Warnock all non-executive and of 10 St Colme Street, Edinburgh EH3 6AA
Investment Manager	Troy Asset Management Limited Brookfield House 44 Davies Street London W1K 5JA
Secretary	Steven Cowie Personal Assets Trust Administration Company Limited
Registered Office	10 St Colme Street Edinburgh EH3 6AA
Sponsor and Solicitor in relation to the Issue	Dickson Minto W.S 16 Charlotte Square Edinburgh EH2 4DF
Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Principal Banker and Custodian	HSBC Bank plc 8 Canada Square London E14 5HQ
Stockbroker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT

PART 1

TROY INCOME & GROWTH TRUST PLC

Introduction

Troy Income & Growth Trust plc is an investment trust company which was launched in July 1988. Its investment objective is to provide Shareholders with an attractive income yield and the prospect of income and capital growth through investing in a portfolio of predominantly UK equities.

Its capital structure is the simplest possible for an investment trust, consisting only of ordinary shares.

Troy Asset Management Limited was appointed as the investment manager of the Company on 1 August 2009. Troy is an independent fund manager specialising in generating absolute returns for investors. Troy seeks to preserve and build investors' wealth by constructing conservative portfolios for the long term which demonstrate lower than average volatility. Further details regarding Troy are set out in the section entitled "Investment Manager" below.

As at 11 July 2012, the Company had total assets (unaudited) of approximately £85.6 million, 157,000,039 Ordinary Shares in issue, and shareholders' funds of approximately £85.6 million. As at 11 July 2012, the Company's market capitalisation was approximately £86.7 million.

The Proposals

As announced on 12 June 2012, the Company has reached agreement in principle with Albany in respect of a merger of the assets of the Company and Albany through a scheme of reconstruction and winding up of Albany. Albany is an investment trust which, like TIGT, is a constituent of the AIC's UK Growth & Income sector.

If the Proposals are implemented, Albany Shareholders will be entitled to receive New Shares and/or cash in respect of their investment in Albany. Under the Proposals, the Company will acquire that part of the undertaking of Albany which represents the interests of Albany Shareholders who elect, or who are deemed to have elected, for New Shares in exchange for the issue to such Albany Shareholders of New Shares.

The New Shares will rank equally in all respects with the existing Ordinary Shares (save that New Shares will not qualify for the third interim dividend of 0.5p in respect of the quarter ended 30 June 2012 which is expected to be paid on 27 July 2012 or the fourth interim dividend for the period ended 20 August 2012 which is expected to be paid in October 2012). The Company expects to declare a fifth interim dividend in respect of the period from 21 August 2012 to 30 September which is also expected to be paid on the same day as the fourth interim dividend in October 2012. It is the Directors' intention that, barring unforeseen circumstances the aggregate amount of the fourth and fifth interim dividends will be 0.525p per share.

This document has been published in connection with the issue of the New Shares pursuant to the Proposals. Further details of the Proposals are set out in Part 2 of this document.

The Grampian Scheme

The Company also announced on 12 June 2012 that it had reached agreement in principle with Grampian Investment Trust plc in respect of a merger of the assets of the Company and Grampian through a scheme of reconstructed and winding up of Grampian. The Company has published a prospectus on 3 July 2012 in respect its participation in the Grampian Scheme. The effective date of the Grampian Scheme is 3 August 2012.

Investment policy

The Company's investment objective is to provide Shareholders with an attractive income yield and the prospect of income and capital growth through investing in a portfolio of predominantly UK equities.

Equities are selected for their inclusion within the portfolio solely on the basis of the strength of the investment case with the focus being on long term income growth along with capital preservation.

Asset classes other than equities will be purchased from time to time and will vary as opportunities are identified and will include convertibles, preference shares, fixed income securities and corporate bonds. Investments will be made when prospective returns appear to be superior to those from

equity markets and are considered likely to exceed the Company's borrowing costs. However, non-equity securities will not constitute the majority of the portfolio. The Company may also use derivatives for the purpose of efficient portfolio management (including reducing, transferring or eliminating investment risk in its investments and protection against currency risk), to exploit an investment opportunity and to achieve capital growth.

Aggregate exposure levels for asset classes are reported to, and monitored by, the Board in order to ensure that adequate diversification is achieved. The Company is permitted to hold up to 15 per cent. of gross assets in non-UK investments.

The Company does from time to time invest in other UK listed investment companies but the Company will not invest more than 15 per cent. of gross assets in other listed investment companies.

The portfolio will be relatively concentrated and the number of individual holdings in equities and funds will vary over time but, in order to diversify risk, will typically be between 30 and 50. The Board monitors the aggregate exposure to the securities of any one issuer across the whole investment portfolio.

While there is a comparative index for the purpose of measuring performance over material periods, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index.

The Company may utilise gearing in a tactical and flexible manner to enhance returns to Shareholders. As an investment trust, the Company is able to borrow money and does so when the Board and the Manager have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. Such gearing may be in the form of bank borrowings or through derivative instruments which provide a geared exposure to equity markets. Gearing levels are discussed by the Board and the Manager at every Board meeting and monitored between meetings and adjusted accordingly with regard to the outlook. The maximum level of gearing of the Company is 25 per cent. of net assets immediately following drawdown or acquisition (as the case may be). The Board currently intends that the aggregate borrowings of the Company will be up to 15 per cent. of net assets immediately following drawdown but the Board will (subject to the maximum level of gearing set out above) retain flexibility to increase or decrease the level of the Company's gearing to take account of changing market circumstances and in pursuit of the Company's investment policy.

Any material change in the Company's investment policy will require the approval of Shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

Investment strategy

The emphasis within the Company's portfolio is on companies which the Investment Manager believes to be quality companies capable of generating sustained dividend growth. In common with other Troy mandates, a low volatility compared to its peers and an emphasis on capital preservation are key aims of the Company.

While the Company may use derivative instruments in accordance with its investment policy, the Company's current investment strategy is only to use derivative instruments for currency hedging or on occasion to increase or reduce equity exposure by the use of index futures.

Whilst the Investment Manager will have regard to a comparative index for the purpose of measuring performance over material periods, no attention will be paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index.

Performance track record

The table below compares the total return (assuming all dividends are reinvested) to Shareholders to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which FTSE All-Share Index is calculated over periods of 6 months, 1 year and 2 years and in respect of the period from Troy's appointment as the Company's investment manager on 1 August 2009, in each case to 11 July 2012.

	<i>Since Troy appointment*</i>	<i>2 years</i>	<i>1 year</i>	<i>6 months</i>
Share price total return	72.0	29.3	8.2	5.9
NAV total return	58.9	29.7	7.4	6.6
FTSE All-Share Index	37.9	18.4	-1.4	2.9

All figures are calculated on a total return basis over periods to 11 July 2012.

* 1 August 2009

Investment outlook

The Board believes that the investment outlook remains uncertain and that it is prudent to maintain a cautious approach to gearing and the type of companies which are held in the portfolio. In order to mitigate equity volatility, the Company will seek to invest in companies with strong balance sheets and good long term dividend records and to limit exposure to cyclical stocks and sectors. Maintaining the real value of income and capital for Shareholders will be a particular objective for the Company in the current economic environment. The number of suitable investment opportunities at present is regarded by the Board and the Manager as fairly limited but the Board believes that by maintaining cash balances and the scope to use gearing the Company is well positioned to take advantages of opportunities when they arise.

Capital structure

The Company's share capital comprises ordinary shares only, all of which are listed in the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. Shareholders are therefore entitled to such dividends as are declared by the Company and are entitled, on a return of capital on a winding up or otherwise, to all undistributed revenue of the Company and to the residual capital of the Company which remains after satisfying any liabilities.

At a general meeting of the Company held on 15 May 2012, the Directors were granted authority to allot up to 100 million Shares. The provisions of the Act which would confer pre-emption rights in respect of such allotments were also disapplied in respect of the allotment or issue out of treasury of 100 million Shares for the period up until 31 March 2013 or, if earlier, the conclusion of the next annual general meeting of the Company. As at 11 July 2012, the Directors' remaining authority to issue new Shares on a non pre-emptive basis for cash extended to 85,666,380 Shares.

The Company published a prospectus on 24 May 2012 in respect of the general issuance of Shares by the Company in the period to 24 May 2013. Ordinary Shares are issued under that prospectus for the purpose of operating the Company's premium control policy (described in the section entitled "Discount and premium control" below) and, more generally, to meet the Board's broader objective of continuing to grow the Company where suitable opportunities arise. The Company will issue a maximum of 100 million new Ordinary Shares under that prospectus.

In pursuit of that broader objective to grow the Company, TIGT has published a further prospectus on 3 July 2012 in respect of its participation as a rollover vehicle in respect of a scheme for the reconstruction and winding up of Grampian Investment Trust plc. The Company will issue a maximum of 20 million new Ordinary Shares under that prospectus.

The Company currently has no borrowings.

Dividend policy

The Company's dividend policy is to provide Shareholders with an attractive income yield that is higher than the dividend yield on the FTSE All-Share Index from time to time. As at 11 July 2012, the dividend yield on the FTSE All-Share Index was 3.6 per cent. In accordance with their existing policy, the Directors intend to pay dividends in January, April, July and October of each year; that is, within one month of the end of the period to which they relate. In the absence of unforeseen circumstances and assuming a reasonable level of dividend growth in the portfolio, it is the Directors' intention that the dividend paid by the Company will continue to grow over time (this is not a forecast of profits).

The Company has declared a third interim dividend in respect of the quarter ended 30 June 2012 of 0.5p which is expected to be paid on 27 July 2012. The Company also expects to declare a fourth interim dividend, in respect of the period from 1 July 2012 to 20 August 2012 which is expected to be paid in October 2012. The New Shares will not carry an entitlement to receive these third and fourth interim dividends but will rank equally with the existing Ordinary Shares for future dividends.

Specifically the Company expects to declare a fifth interim dividend in respect of the period from 21 August 2012 to 30 September 2012 which is also expected to be paid on the same day as the fourth interim dividend in October 2012. It is the Directors' intention that, barring unforeseen circumstances, the aggregate amount of the fourth and fifth interim dividends will be 0.525p per share.

Continuation vote

Under the Articles, the Directors are required to procure that an ordinary resolution is proposed at every fifth annual general meeting of the Company to resolve that the Company should continue as an investment trust. If that resolution is not passed, a special resolution requires to be proposed within four months after that annual general meeting to require that the Company be wound up voluntarily or to approve proposals which would result in Shareholders receiving, in lieu of their Shares, units in a unit trust scheme. In accordance with the Articles, the Company's next continuation vote will be held at the Company's first annual general meeting following the financial year ending 30 September 2013.

Discount and premium control policy

Investment trusts have long suffered from volatile discounts to net asset value. Sometimes, too, the shares of individual investment trusts may sell temporarily at a significant premium to net asset value. This can put investors at a disadvantage, because they may find themselves buying shares at a sizeable premium which almost certainly will not be sustained and which will therefore have an adverse effect on the return from their investment. In view of the disadvantages to Shareholders of such discount and premium fluctuations, the Company's policy is to ensure that the Shares always trade at close to net asset value through a combination of share buy-backs coupled with the issue of new Shares at a small premium to net asset value where demand exceeds supply.

The Directors have been given authorities in accordance with the Act by the Shareholders in general meeting to allot new Shares, and to re-issue Shares from treasury, for cash on a non-pre-emptive basis. Further details of these authorities are set out in paragraph 2.5 of Part 4 of this document. The Directors will seek renewals of these authorities annually and at other times should this prove necessary.

In no circumstances would any issue of new Shares or re-issue of Shares from treasury for the purpose of operating the Company's premium control policy be at an issue price which would result in a dilution of the Net Asset Value per Share.

At the Company's last annual general meeting, the Company was granted the authority to buy-back up to 19,579,401 Shares, being approximately 14.99 per cent. of the Company's Shares in issue as at 5 January 2012 (the date on which the buy-back authority was granted by special resolution of the Company). As at the date of this document, the Company has not purchased any Shares pursuant to this authority. The Directors will seek renewal of this authority from Shareholders annually and at other times should this prove necessary. Any buy-back of Shares will be made subject to the Act and within guidelines established from time to time by the Board and the making and timing of any buy-backs will be at the absolute discretion of the Board. The Directors are authorised to cancel any Shares purchased under this authority or to hold them in treasury. Purchases of Shares will only be made through the market for cash at prices below the prevailing net asset value of the Shares (as last published). Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than five per cent. above the average of the middle market quotations for the Shares for the five business days before the purchase is made, nor less than the nominal value of a Share.

It is the intention of the Directors that the share buy-back authority will be used to purchase Shares if the middle market price for a Share is below the Net Asset Value per Share from time to time (taking into account any rights to which the Shares are trading "ex"). However, nothing in this discount control policy will require the Directors to take any steps that would require the Company to make a tender offer for its Shares. Shareholders are referred to the risk factors on page 13 of this document under the heading "Discount and premium control policy".

Directors

The Directors, all of whom are non-executive and independent of the Investment Manager, are responsible for the determination of the investment policy of the Company and its overall supervision. The Directors are as follows:

Ronnie Hanna (aged 70) (Chairman): Ronnie joined the board of directors of TIGT in 1995. He was Chief Executive of Bett Brothers plc until May 2003 and is a non-executive director of a number of companies. He is Chairman of Bowleven plc and A.G. Barr plc.

Ian Boyd (aged 67): Ian joined the board of directors of TIGT in 1990. He was Group Finance Director of The Weir Group PLC from 1981 to 2004 and was a Council Member of The Institute of Chartered Accountants of Scotland from 1987 to 1993.

Kevin Hart (aged 43): Kevin joined the board of directors of TIGT in 2003. He is Chief Executive of Bowleven plc. He was formerly Group Finance Director of Cairn Energy plc.

David Warnock (aged 54): David joined the board of directors of TIGT in 2010. He was formerly a partner in Aberforth Partners LLP, an investment management firm, and is a non-executive director of Phoenix IT Group plc, British Polythene Industries PLC and Standard Life European Private Equity Trust PLC.

Investment Manager

Troy, which is authorised and regulated by the Financial Services Authority, has specialised in generating absolute returns for investors since its establishment in 2000. As at 30 June 2012, Troy managed approximately £4.03 billion of fund mandates, of which approximately £844 million was managed on behalf of funds with equity income mandates.

Francis Brooke, who has principal responsibility within Troy for managing the Company's portfolio, has approximately 26 years' experience of fund management, the majority of which has been spent managing UK funds. Francis Brooke is a director of Troy.

Investment management, administration and custodian arrangements

Investment management arrangements

Under the Investment Management Agreement, Troy has been appointed with responsibility for the management of the Company's assets subject to the overall supervision of the Directors. Troy manages the Company's investments in accordance with the policies laid down by the Directors and in accordance with the Company's investment policy.

Under the terms of the Investment Management Agreement, Troy is entitled to receive an annual management fee, calculated monthly and payable quarterly in arrears, of 0.75 per cent. of the value of the Company's net assets. There will be no upward change in the basis of calculation of the annual management fee as a consequence of the Issue. The Investment Management Agreement is terminable by either party on 6 months' notice. Further details of the Investment Management Agreement are set out in paragraph 6.1 of Part 4 of this document.

Secretarial and administration arrangements

Pursuant to the Secretarial Agreement, Steven Cowie (who is a director of PATAC) has been appointed as the Company's secretary and PATAC has been appointed to provide certain administrative services to the Company, for an annual fee of currently £99,750, with a three month notice period. Further details of the Secretarial Agreement are set out in paragraph 6.3 of Part 4 of this document.

Custodian arrangements

HSBC Bank plc has been appointed as the principal custodian of the assets of the Company. The Custodian holds all of the cash, securities and other assets of the Company and arranges and settles all transactions relating to those assets as agent for the Company. Further details of the custody agreement that has been entered into between the Company and the Custodian are set out in paragraph 6.2 of Part 4 of this document.

Annual expenses

The Company has incurred, and will continue to incur, administrative expenses, including audit fees, Directors' fees, custodian fees, regulatory fees, directors' and officers' liability insurance premiums and printing costs.

Based on the Company's net assets as at 11 July 2012 and on the assumption that the Proposals are implemented and excluding any increase in net assets due to the implementation of the Grampion Scheme, it is estimated that the total expenses of the Company for the financial year ending 30 September 2012 (excluding the costs of and incidental to issues of new Ordinary Shares by the

Company) will not exceed £1.1 million, being 1.3 per cent. of Shareholders' funds as at 11 July 2012.

Accounting policies

The Company charges 35 per cent. of the investment management fees and finance costs to revenue and 65 per cent. to capital. The Company charges all other operating expenses to revenue.

Corporate governance

The Chairman and each of the other Directors is independent of the Investment Manager. Each member of the Board is a non-executive.

The Directors regard corporate governance and accountability to Shareholders as fundamental. They therefore place considerable emphasis on running the Company in the way they believe to be best suited to the successful management of an investment trust on behalf of its Shareholders. Each Director is subject to re-election annually.

Arrangements in respect of corporate governance, appropriate to an investment trust, have been made by the Board. The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council (the "UK Code"), as well as setting out additional principles and recommendations which are of specific relevance to investment trusts.

The Board considers that reporting with reference to the principles and recommendations of the AIC Code, and with reference to the AIC Guide (which incorporates the UK Code), will provide better information to Shareholders than if it had adopted the UK Code.

The Company complied in its most recent financial year, and continues to comply, with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as disclosed in this section below.

The Board

The Board does not consider it appropriate for a senior independent director to be appointed as recommended by provision A.4.1 of the UK Code. The Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principle 4 of the AIC Code and provision B.2.3 of the UK Code. However, the Board has agreed that each Director will retire annually.

The Board regularly reviews the independence of its members and, having due regard to the definitions and current AIC guidelines on independence, considers all Directors to be independent of the Investment Manager. The Chairman, Ronnie Hanna, has served on the Board for 17 years, Ian Boyd has served on the Board for 22 years and Kevin Hart has served on the Board for 9 years. The Board has considered the independence of these three Directors and feels they display all the characteristics of independence and can be relied upon so to act at all times. The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority, and does not consider that a Director's length of tenure reduces his ability to act independently.

The UK Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self-appraisal. The Directors consider how the Board functions as a whole and they also review the individual performance of its members. This process is led by the Chairman and encompasses quantitative and qualitative measures of performance implemented by way of a discussion-based assessment process. The performance of the Chairman is evaluated by the other Directors.

Audit committee

The audit committee, comprising all of the Directors, meets at least twice per year to coincide with the annual and interim reporting cycle. The Chairman is Ian Boyd. The principal role of the audit committee is to review the annual and interim financial statements, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements. The audit committee also reviews the system of internal controls, the terms of appointment of the auditors

(including their remuneration), the objectivity of the auditors and the terms under which they are appointed to perform non-audit services.

Nominations committee

The nominations committee, which comprises all of the Directors, considers the appointment of new Directors. The nominations committee meets as required.

Remuneration committee

The Board as a whole reviews and sets the rates of remuneration payable to each Director, and therefore no separate remuneration committee has been constituted.

Management engagement committee

The Board does not deem it necessary to constitute a separate management engagement committee. The Board as a whole reviews the performance of the Investment Manager and the terms of the Investment Management Agreement.

Conflicts of interest

The Investment Manager and its officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company.

The Investment Manager will have regard to its obligations under the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise. In addition, the Investment Manager's policies and procedures to avoid or manage actual or potential conflicts of interest include (a) a policy to ensure that, in the event of a trade being instigated for more than one client, an allocation between clients of the amount being traded is booked before the instructions to deal are passed to the broker and only varied in exceptional circumstances (for example, where the volume of dealings is too small to divide up meaningfully); (b) strict rules governing the execution of trades by members of staff, which cannot be effected without prior permission from authorised personnel and then only on the basis that the trade is not in conflict with the interests of any client; (c) a policy that the Investment Manager will not receive remuneration from clients or others apart from the contractually agreed investment management fees stipulated in each client's investment management or investment advisory agreement; and (d) a policy which allows bonuses for the Investment Manager's staff to be sourced only from the profits of the Investment Manager on a pre-determined basis.

As part of the Investment Manager's routine compliance monitoring procedures, its conflicts of interest policy is reviewed annually. The particular procedures and measures are monitored monthly to ensure ongoing compliance.

Reports to Shareholders and net asset values

The annual report and accounts of the Company are made up to 30 September in each year. Copies of the annual report and accounts are sent to Shareholders in November of each year and annual general meetings of the Company are held in January of each year. Shareholders also receive an unaudited interim report covering the first six months of each financial year of the Company.

The net asset value of an Ordinary Share is calculated by the Company in accordance with the Company's accounting policies and is published daily through a Regulatory Information Service. The calculation of the Net Asset Value per Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

Taxation

The Company has been approved by HM Revenue & Customs as an investment trust in respect of the year to 30 September 2010. The Directors intend to continue to conduct the affairs of the Company so as to satisfy the conditions to qualify as an investment trust under section 1158 of the Tax Act. In respect of each accounting period for which the requirements for investment trust status

are satisfied, the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way, with dividend income generally being exempt from corporation tax.

A guide to the general UK taxation position as at the date of this document is set out in paragraph 9 of Part 4 of this document.

If you are in any doubt as to your taxation position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

Additional information

Your attention is also drawn to the information set out in Parts 2 to 4 of this document and to the risk factors set out on pages 10 to 14.

PART 2

DETAILS OF THE ISSUE

Background to the Issue

It is proposed that investment in the Company will be offered as the rollover option in a scheme of reconstruction and winding up of Albany, an investment trust which is, like the Company, a constituent of the AIC's UK Growth & Income sector. Pursuant to the Proposals, the Company will acquire that part of the undertaking of Albany which represents the interests of Albany Shareholders who elect, or are deemed to have elected, for New Shares in exchange for the issue to such Albany Shareholders of New Shares.

The assets to be transferred to the Company will primarily comprise investments in securities of publicly quoted companies and cash and/or near cash assets.

The New Shares are only available to Albany Shareholders under the Albany Scheme. The Directors believe that the profile of a typical investor in the Company is an investor who is seeking an attractive level of income with the potential to obtain growth in both income and capital over the longer term. Such investors will typically be institutional investors, professionally advised private individuals or private individuals capable of evaluating the risks and merits of such an investment and investing in the Company as part of a portfolio approach.

Details of the Albany Scheme

Background

The Company is proposing to raise new capital by participating as the rollover option in the scheme of reconstruction and winding up of Albany.

The Albany Scheme allows Albany Shareholders:

- to elect to receive New Shares to be issued by the Company (the "Rollover Option");
- to elect to receive cash in respect of their investment in Albany (the "Cash Option"); or
- to elect for any combination of the above options.

Albany Shareholders who do not make a valid election under the Scheme will be deemed to have elected to rollover their investment into the Company in exchange for the issue of New Shares other than Overseas Albany Shareholders, who shall be deemed to have elected to receive cash in respect of their investment in Albany.

The Albany Scheme is subject to, amongst other things, the approval of Albany Shareholders.

If the Proposals are implemented, the Company will acquire that part of the undertaking of Albany which represents the interests of Albany Shareholders who elect, or are deemed to have elected, for New Shares in exchange for the issue to such Albany Shareholders of New Shares.

Formula asset value, the Cash Option and the Rollover Option

The formula asset value of Albany (which will determine Albany Shareholders' entitlements to both New Shares and cash) will be equal to the net asset value of Albany as at the Calculation Date (which is expected to be close of business on 16 August 2012) in accordance with Albany's accounting policies and after providing for all of Albany's current and future liabilities, contingent and unascertained liabilities and the costs incurred by Albany in implementing the Proposals) (the "Albany FAV").

Following the calculation of the Albany FAV, Albany will allocate the Albany FAV between those Albany Shareholders who have elected, or are deemed to have elected, for the Cash Option and the Rollover Option respectively *pro rata* according to such elections or deemed elections.

The Cash Option

The cash entitlement of Albany Shareholders who elect, or are deemed to have elected, for the Cash Option will be equal to that proportion of the Albany FAV which is attributable to such Albany Shareholders.

The Rollover Option

The number of New Shares to be issued to Albany Shareholders who elect, or are deemed to have elected, for the Rollover Option will be based on a one per cent. premium to the adjusted Net Asset

Value of the Company (the “TIGT FAV”) and the adjusted attributable Albany FAV in respect of which an election for the Rollover Option is made or deemed to have been made (the “Rollover FAV per Albany Share”).

The Rollover FAV per Albany Share will be equal to that proportion of the Albany FAV which is attributable to those Albany Shareholders who have elected, or are deemed to have elected, for the Rollover Option plus a contribution by Troy in an amount equal to 0.1875 per cent. of the value of the assets comprised in the Rollover Pool as at the Calculation Date (the “Cash Contribution”) divided by the number of Albany Shares in respect of which an election has been made, or is deemed to have been made, for the Rollover Option.

The FAV per Ordinary Share and the Rollover FAV per Albany Share will be calculated using each company’s respective accounting policies (which are substantially similar). Investments which are listed, quoted or traded on a recognised stock exchange will be valued by reference to the bid price on the principal stock exchange where the relevant investment is listed, quoted or dealt. Unquoted investments will be valued at their fair value as determined by the Directors (in the case of investments held by the Company) or at their fair value as determined by the Albany directors (in the case of investments held by Albany).

The FAV per Ordinary Share will be an amount representing a premium of one per cent. to the Net Asset Value (cum income) of the Company adjusted to reflect the deduction in respect of the fourth interim dividend (once determined and declared and which Albany Shareholders electing for the Rollover Option will not receive in respect of their New Shares).

Albany Shareholders electing, or deemed to have elected, for the Rollover Option will be issued such number of New Shares in the Company as have a value (at the FAV per Ordinary Share) equal to the value (at the Rollover FAV per Albany Share) of their Albany Shares so elected.

The issue price of the New Shares, the number of New Shares to be issued pursuant to the Albany Scheme, the FAV per Ordinary Share and the Rollover FAV per Albany Share will be announced through a Regulatory Information Service as soon as practicable following the Calculation Date.

The New Shares will rank equally in all respects with the existing issued Ordinary Shares (save that the New Shares will not qualify for the third interim dividend in respect of the quarter to 30 June 2012 of 0.5p which is expected to be paid by the Company on 27 July 2012 or the fourth interim dividend for the period ended 20 August 2012 which is expected to be paid in October 2012).

Conditions of the Issue

The Issue is conditional upon:

- the passing of the resolutions to approve the Albany Scheme at the general meetings of Albany Shareholders and the Albany Scheme becoming unconditional;
- the satisfaction of the Admission Condition; and
- neither the Directors nor the Albany Directors having resolved to abandon the Scheme and/or the Proposals due to material changes in market conditions.

If any of these conditions is not satisfied by 30 September 2012, no part of the Proposals will become effective and no New Shares will be issued.

Costs and expenses of the Proposals

The aggregate costs and expenses to be incurred by the Company in connection with the Proposals are estimated to be approximately £320,000 (including irrecoverable VAT and any stamp duty payable on the transfer of the assets constituting the Rollover Pool from Albany to the Company). If the Scheme becomes unconditional, Troy will meet the Company’s costs in connection with the Proposals to the extent that those costs are not covered by the premium to net asset value at which the New Shares are issued to Albany Shareholders. If the Albany Scheme does not become effective, the Company will incur abort costs estimated at approximately £125,000 (including irrecoverable VAT). Troy have agreed to bear any abort costs incurred by the Company if the Albany Scheme does not become effective. Save for the contribution by Troy to the Rollover Pool in an amount equal to 0.1875 per cent. of the value of the assets comprised in the Rollover Pool as at the Calculation Date (thereby reducing the costs suffered by those Albany Shareholders electing, or deemed to have elected, for the Rollover Option), Albany will meet its own costs associated with the Proposals.

Dealings and settlement

Application will be made to the UK Listing Authority for the New Shares to be admitted to the Official List with a premium listing and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. If the Albany Scheme becomes effective, it is expected that the New Shares will be issued on 20 August 2012, credited as fully paid, conditional upon admission to the Official List on 21 August 2012, and that the first day of dealings in such shares on the main market of the London Stock Exchange will be 21 August 2012. The New Shares will be issued in registered form and may be held in either certificated or uncertificated form.

Albany Shareholders who hold their Albany Shares in certificated form will receive their New Shares under the Albany Scheme in certificated form. It is expected that certificates in respect of such New Shares will be despatched to the Albany Shareholders in the week commencing 27 August 2012. No temporary documents of title will be despatched in respect of New Shares issued in certificated form and, pending the despatch of definitive share certificates, transfers will be certified against the Company's register of members.

Albany Shareholders who hold their Albany Shares in uncertificated form will receive their New Shares under the Albany Scheme in uncertificated form. However, the Company reserves the right to issue the New Shares in certificated form (in normal circumstances, this is only likely to be in the event of an interruption, failure or breakdown of CREST or of the facilities or system operated by the Company's registrar in connection with CREST). The Company will procure that Euroclear UK & Ireland Limited is instructed, on the date on which the Admission of the New Shares to the Official List becomes effective, to credit the appropriate accounts in CREST with the respective entitlements to New Shares in uncertificated form.

The ISIN (International Securities Identification Number) code of the New Shares will be GB0003708665.

Further information on the Issue

New Shares

The number of New Ordinary Shares to be issued pursuant to the Albany Scheme cannot be calculated until after Elections have been made, or are deemed to have been made, by Albany Shareholders. The number of New Shares to be allotted to those Albany Shareholders electing, or deemed to elect, to receive them will be calculated on the Calculation Date.

The Company will announce, through a Regulatory Information Service, the number of New Shares to be issued pursuant to the Issue and the basis upon which they will be allotted as soon as practicable after the Calculation Date and, in any event, prior to the commencement of dealings in the New Shares on the main market of the London Stock Exchange (which is expected to be on 21 August 2012).

The New Shares are only being made available to Albany Shareholders pursuant to the Albany Scheme. The New Shares are not being offered to the existing holders of Ordinary Shares or to the public generally.

Full details of the Albany Scheme are set out in the circular to Albany Shareholders dated 13 July 2012, a copy of which is available for inspection as stated in paragraph 11 of Part 4 of this document.

General

The Issue has not been underwritten. No action has been taken to permit a public offering of New Shares in any jurisdiction, other than the United Kingdom, where action for that purpose would be required. This prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Information on Albany's portfolio

As at 11 July 2012 (being the latest practicable date prior to the publication of this document), Albany had unaudited total assets of £30.7 million. Of those assets, 90.7 per cent. were invested in quoted securities and the balance was held in cash and near cash assets. The assets of Albany to be

acquired by the Company pursuant to the Proposals will comprise cash or near cash assets and quoted securities which are in accordance with the Company's investment policy.

The following tables show the distribution of Albany's portfolio by country, sector and currency as at 11 July 2012. The information in the table below has not been audited or reported on by an accountant. Investments in Albany's portfolio have been valued in accordance with Albany's normal accounting policies with listed investments measured at their quoted bid prices.

	<i>Percentage of Total Assets</i>
<i>By country</i>	
UK	84.7
US	6.6
Singapore	2.0
Italy	1.9
Switzerland	1.8
Germany	1.6
Hong Kong	1.4
	<hr/> <hr/> 100.0

	<i>Percentage of Total Assets</i>
<i>By sector</i>	
Technology	13.5
Telecommunications	5.7
Banks	3.9
Oil & Gas	18.3
Industrial Goods & Services	15.3
Health Care	3.4
Personal & Household Goods	5.6
Utilities	3.3
Insurance	5.0
Financial Services	1.7
Media	9.0
Food & Beverage	2.3
Real estate	3.4
Net current assets	9.3
Chemicals	0.3
	<hr/> <hr/> 100.0

	<i>Percentage of Total Assets</i>
<i>By currency</i>	
Sterling	84.7
Euro	3.5
United States dollar	6.6
Singapore dollar	2.0
Hong Kong dollar	1.4
Swiss franc	1.8
	<hr/> <hr/> 100.0

Albany's 20 largest holdings, as at 11 July 2012, were as follows:

<i>Investee company</i>	<i>Valuation</i> £'000	<i>Percentage</i> <i>of Total</i> <i>Assets</i>
Royal Dutch Shell	1,358	4.42
Vodafone Group	1,325	4.32
BG Group	1,058	3.45
GlaxoSmithKline	1,050	3.42
Telecity Group	1,039	3.38
Centrica	1,012	3.29
Pearson	942	3.07
Prudential	939	3.06
Apple	893	2.91
British American Tobacco	879	2.86
Amec	857	2.79
WPP	841	2.74
Diageo	835	2.72
BP	779	2.54
Microsoft	749	2.44
Marston's	696	2.27
Interserve	669	2.18
Weir Group	643	2.09
Keppel Corp	624	2.03
Afren	590	1.92
	17,778	57.90

Overseas investors

Overseas Albany Shareholders will be deemed to have made an election for the Cash Option under the Albany Scheme unless they have satisfied the Directors and the Albany directors that they are entitled to receive and hold New Shares without breaching any relevant securities laws and without the need for compliance on the part of the Company or Albany with any overseas laws, regulations, filing requirements or the like.

Investors who are resident in, or citizens or nationals of, a jurisdiction outside the EEA States, the Channel Islands and the Isle of Man are responsible for informing themselves about and observing any legal requirements in that jurisdiction.

Notwithstanding any other provision of this document, the Company reserves the right to permit any investor to acquire New Shares if the Company, in its sole and absolute discretion, is satisfied at any time prior to the Effective Date that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Taxation

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 9 of Part 4 of this document.

Potential investors should seek tax advice from their own professional adviser about the taxation consequences of acquiring, holding or disposing of Ordinary Shares.

PART 3

FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

1. INTRODUCTION

Statutory consolidated accounts of the Company (prepared in accordance with United Kingdom law and those International Financial Reporting Standards adopted by the European Union) for the three financial years ended 30 September 2011, in respect of which the Company's auditors, Ernst & Young LLP, Chartered Accountants, Ten George Street, Edinburgh EH2 2DZ, who are members of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 235 of the 1985 Act (or, as the case may be, under section 495 or section 497 of the Act), did not contain any statement under section 237(2) or (3) of the 1985 Act (or, as the case may be, under section 498(2) or (3) of the Act). Copies of the statutory accounts of the Company for the three financial years ended 30 September 2011 together with a copy of the Company's unaudited interim reports and accounts for the six months ended 31 March 2011 and 31 March 2012 are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and 16 Charlotte Square, Edinburgh EH2 4DF until 23 May 2013.

2. HISTORICAL FINANCIAL INFORMATION

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited accounts of the Company for the three financial years ended 30 September 2011 and in the unaudited interim reports and accounts for the six months ended 31 March 2011 and 31 March 2012 as set out in the table below and is expressly incorporated by reference into this document.

<i>Nature of information</i>	<i>Statutory Accounts for Year ended</i>			<i>Interim accounts for the six months ended</i>	
	<i>30 September 2009</i>	<i>30 September 2010</i>	<i>30 September 2011</i>	<i>31 March 2011</i>	<i>31 March 2012</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Financial Summary	1	1	1	1	n/a
Income Statement	27	28	29	7	7
Balance sheet	28	29	30	8	8
Statement of changes in equity	29	30	31	9	9
Statement of cash flow	30	3	32	10	10
Notes to the financial statements	31 to 46	32 to 48	33 to 49	11 to 13	11 to 13
Audit report	26	27	27 to 28	n/a	n/a

3. SELECTED FINANCIAL INFORMATION

The information in this paragraph 3 is information regarding the Company which has been prepared by the Company and has been extracted directly from the historical financial information referred to in paragraph 2 of this Part 3. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three years ended 30 September 2011 and for the six months ended 31 March 2011 and 31 March 2012 is set out in the following table:

	<i>Year ended 30 September 2009</i>	<i>Year ended 30 September 2010</i>	<i>Year ended 30 September 2011</i>	<i>Six months ended 31 March 2011</i>	<i>Six months ended 31 March 2012</i>
Net asset value					
Net assets (£'000)	53,992	53,807	63,227	56,724	76,226
Net asset value per Share (p)	44.47	48.06	50.00	51.50	53.92
Share price (p)	42.00	47.75	49.63	51.00	54.25
Income					
Revenue return after expenses and taxation (£'000)	3,957	2,104	2,220	1,087	1,215
Revenue return per Share (p)	3.26	1.80	1.95	0.98	0.89
Dividend per Share (p)	3.00	1.80	1.92	0.95	1.0
Total expenses					
As a percentage of average total Shareholders' funds	1.42	1.21	1.34	0.7	0.64
Portfolio summary					
Shareholders' funds (£'000)	53,992	53,807	63,227	56,724	76,226
NAV/share price returns					
Net asset value return	(12.2%)	13.1%	7.9%	9.2%	10.0%
Share price return	(11.6%)	19.2%	7.8%	8.8%	11.4%

4. OPERATING AND FINANCIAL REVIEW

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's statement", "Investment Manager's review" and "Portfolio" in the published statutory accounts of the Company as follows:

<i>Nature of information</i>	<i>Statutory Accounts for Year ended</i>			<i>Interim accounts for the six months ended</i>	
	<i>30 September 2009</i>	<i>30 September 2010</i>	<i>30 September 2011</i>	<i>31 March 2011</i>	<i>31 March 2012</i>
	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>	<i>Page No.</i>
Chairman's statement	4 to 5	4 to 5	4 to 5	2	2 to 3
Investment Manager's review	6 to 7	6 to 7	6 to 7	n/a	n/a
Portfolio	11 to 13	11 to 13	11 to 13	4 to 6	4 to 6

5. SIGNIFICANT CHANGE

Since 31 March 2012 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial or trading position of the Company.

6. ANALYSIS OF INVESTMENT PORTFOLIO

As at 11 July 2012, the Company's portfolio comprised investments with an aggregate unaudited value, calculated in accordance with the Company's accounting policies, of £85.6 million. The following tables show the distribution of the portfolio by asset class and sector as at 11 July 2012.

	<i>Percentage of Total Assets</i>
<i>By asset class</i>	
Listed equities	89.7
Listed preference shares	2.4
Net current assets	7.9
	<hr/> 100.0 <hr/>

	<i>Valuation (£'000s)</i>	<i>Percentage of Total Assets</i>
<i>By sector</i>		
Oil & gas	7,545	8.8
Basic materials	1,892	2.2
Industrials	2,970	3.4
Consumer goods	21,605	25.3
Healthcare	4,871	5.7
Telecom	3,741	4.4
Consumer services	3,143	3.6
Utilities	9,909	11.6
Financials	19,827	23.2
Technology	3,296	3.9
Net current assets	6,776	7.9
	<hr/> 85,575 <hr/>	<hr/> 100.0 <hr/>

The Company's 20 largest holdings, as at 11 July 2012, were as follows:

	<i>Valuation (£'000)</i>	<i>Percentage of Total Assets</i>
<i>Investee Company</i>		
Royal Dutch Shell	3,084	3.6
BP	3,026	3.5
British American Tobacco	3,022	3.5
Reynolds American	2,948	3.4
Diageo	2,835	3.3
Imperial Tobacco	2,809	3.3
GlaxoSmithKline	2,678	3.1
Vodafone	2,577	3.0
Unilever	2,557	3.0
HSBC Holdings	2,417	2.8
Pennon Group	2,252	2.6
National Grid	2,210	2.6
Astrazeneca	2,193	2.6
Sage Group	2,163	2.5
Provident Financial	2,155	2.5
SSE	2,142	2.5
Reckitt Benckiser Group	2,110	2.5
Cenrtica	2,071	2.4
Amlin	1,935	2.3
Newmont Mining	1,891	2.2
	<hr/> 49,075 <hr/>	<hr/> 57.2 <hr/>

The information in this paragraph 6 is unaudited information in respect of the Company, which has been extracted from internal management accounting records held by the Company and has not been reported on by an accountant.

PART 4

GENERAL INFORMATION

1. Incorporation and general

- 1.1. The Company was incorporated and registered in Scotland on 28 June 1988 as a public company limited by shares under the Companies Act 1985 with registered number SC111955. The Company operates under the Act and regulations made under the Act. Its registered office is 10 St Colme Street, Edinburgh EH3 6AA (telephone number: 0131 538 1400). Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not a regulated entity.
- 1.2. The objects of the Company (which were previously set out in full in clause 4 of its memorandum of association) were removed by a special resolution of the Company passed on 17 September 2009 with effect from 1 October 2009.
- 1.3. The Investment Manager is a private limited company and was incorporated in England and Wales under the 1985 Act with the registered number 3930846 on 22 February 2000. The Investment Manager operates under the Act. Its registered office is Hill House, 1 Little New Street, London EC4A 3TR and its principal place of business is Brookfield House, 44 Davies Street, London W1K 5JA (telephone number: 020 7499 4030). The Investment Manager is authorised and regulated by the Financial Services Authority.
- 1.4. The Custodian is a public limited company and was incorporated in England and Wales with registered number 14259 on 1 July 1880. The Custodian operates under the Act and its registered office is 8 Canada Square, London E14 5HQ (telephone number: 020 7991 8888). The Custodian is authorised and regulated by the Financial Services Authority.

2. Share capital and indebtedness

- 2.1. The issued share capital of the Company (all of which issued shares will be fully paid-up) as at the date of this document (excluding shares held in treasury) and immediately following Admission (assuming the maximum number of New Shares are issued) will be as follows:

	<i>No. of Ordinary Shares</i>	<i>Nominal</i>
As at the date of this document		
Ordinary Shares	157,000,039	£39,250,009.75
Immediately following Admission of all of the New Shares		
Ordinary Shares	212,000,039	£530,000,009.75

As at the date of this document, no Shares are held by the Company in treasury. The Company has no authorised share capital by special resolution of the Company passed on 17 September 2009 with effect from 1 October 2009.

- 2.2. The following changes have occurred in the share capital of the Company since 1 October 2008 and 31 March 2012:
 - (i) On 14 January 2010, the Company purchased 344,978 Ordinary Shares at a price of 44.75p per share.
 - (ii) On 20 January 2010, the Company purchased 250,000 Ordinary Shares at a price of 45.5p per share.
 - (iii) On 22 January 2010, the Company purchased 400,000 Ordinary Shares at a price of 45p per share.
 - (iv) On 26 January 2010, the Company purchased 325,000 Ordinary Shares at a price of 45.076923p per share.
 - (v) On 27 January 2010, the Company purchased 460,000 Ordinary Shares at a price of 45p per share.
 - (vi) On 3 February 2010, the Company purchased 125,000 Ordinary Shares at a price of 45.5p per share.
 - (vii) On 11 February 2010, the Company purchased 700,000 Ordinary Shares at a price of 44.5p per share.

- (viii) On 12 February 2010, the Company purchased 500,000 Ordinary Shares at a price of 44.75p per share.
- (ix) On 16 February 2010, the Company purchased 50,000 Ordinary Shares at a price of 45p per share.
- (x) On 17 February 2010, the Company purchased 163,485 Ordinary Shares at a price of 45.5p per share.
- (xi) On 18 February 2010, the Company purchased 1,000,000 Ordinary Shares at a price of 46p per share.
- (xii) On 19 February 2010, the Company purchased 125,783 Ordinary Shares at a price of 46.25p per share.
- (xiii) On 22 February 2010, the Company purchased 630,000 Ordinary Shares at a price of 45.5p per share.
- (xiv) On 11 March 2010, the Company purchased 100,000 Ordinary Shares at a price of 47.5p per share.
- (xv) On 24 March 2010, the Company purchased 418,104 Ordinary Shares at a price of 47.5p per share.
- (xvi) On 31 March 2010, the Company purchased 270,000 Ordinary Shares at a price of 47.4391p per share.
- (xvii) On 20 April 2010, the Company purchased 100,000 Ordinary Shares at a price of 47.75p per share.
- (xviii) On 23 April 2010, the Company purchased 267,000 Ordinary Shares at a price of 47.628277p per share.
- (xix) On 24 April 2010, the Company purchased 200,000 Ordinary Shares at a price of 47.5p per share.
- (xx) On 30 April 2010, the Company purchased 400,000 Ordinary Shares at a price of 46.5p per share.
- (xxi) On 7 May 2010, the Company purchased 150,000 Ordinary Shares at a price of 46p per share.
- (xxii) On 17 May 2010, the Company purchased 500,000 Ordinary Shares at a price of 45.5p per share.
- (xxiii) On 2 June 2010, the Company allotted 200,000 Ordinary Shares.
- (xxiv) On 7 June 2010, the Company purchased 150,000 Ordinary Shares at a price of 44.75p per share.
- (xxv) On 15 June 2010, the Company purchased 266,000 Ordinary Shares at a price of 45.75p per share.
- (xxvi) On 13 July 2010, the Company purchased 230,000 Ordinary Shares at a price of 45.75p per share.
- (xxvii) On 10 August 2010, the Company purchased 240,000 Ordinary Shares at a price of 46.25p per share.
- (xxviii) On 13 August 2010, the Company purchased 450,000 Ordinary Shares at a price of 45.75p per share.
- (xxix) On 20 August 2012, the Company purchased 350,000 Ordinary Shares at a price of 45.3214p per share.
- (xxx) On 25 August 2010, the Company purchased 350,000 Ordinary Shares at a price of 45.3214p per share.
- (xxxi) On 24 September 2010, the Company purchased 750,000 Ordinary Shares at a price of 47.75p per share.
- (xxxii) On 14 October 2010, the Company sold 1,247,250 Ordinary Shares.
- (xxxiii) On 29 October 2010, the Company purchased 430,000 Ordinary Shares at a price of 48.25p per share.

- (xxxiv) On 17 November 2010, the Company purchased 500,000 Ordinary Shares at a price of 48.5p per share.
- (xxxv) On 3 December 2010, the Company purchased 400,000 Ordinary Shares at a price of 49p per share.
- (xxxvi) On 20 January 2011, the Company sold 500,000 Ordinary Shares.
- (xxxvii) On 2 February 2011, the Company sold 636,000 Ordinary Shares.
- (xxxviii) On 21 February 2011, the Company purchased 500,000 Ordinary Shares at a price of 50.57p per share.
- (xxxix) On 1 March 2011, the Company purchased 600,000 Ordinary Shares at a price of 50.5p per share.
- (xl) On 2 March 2011, the Company purchased 300,000 Ordinary Shares at a price of 50p per share.
- (xli) On 4 March 2011, the Company purchased 600,000 Ordinary Shares at a price of 50,5p per share.
- (xlii) On 8 March 2011, the Company purchased 160,000 Ordinary Shares at a price of 50.25p per share.
- (xliii) On 11 March 2011, the Company purchased 500,000 Ordinary Shares at a price of 49.6p per share.
- (xliv) On 15 March 2011, the Company purchased 200,000 Ordinary Shares at a price of 48.25p per share.
- (xlv) On 10 May 2011, the Company purchased 600,000 Ordinary Shares at a price of 51.75p per share.
- (xlvi) On 12 May 2011, the Company purchased 275,000 Ordinary Shares at a price of 51.789p per share.
- (xlvii) On 9 June 2011, the Company sold 1,300,000 Ordinary Shares.
- (xlviii) On 17 June 2011, the Company sold 2,500,000 Ordinary Shares.
- (xlix) On 27 June 2011, the Company sold 2,000,000 Ordinary Shares.
- (l) On 28 June 2011, the Company sold 300,000 Ordinary Shares.
- (li) On 30 June 2011, the Company sold 850,000 Ordinary Shares.
- (lii) On 8 July 2011, the Company sold 2,000,000 Ordinary Shares.
- (liii) On 9 August 2011, the Company sold 225,000 Ordinary Shares.
- (liv) On 10 August 2011, the Company sold 1,250,000 Ordinary Shares.
- (lv) On 11 August 2011, the Company sold 500,000 Ordinary Shares.
- (lvi) On 12 August 2011, the Company sold 200,000 Ordinary Shares.
- (lvii) On 15 August 2011, the Company sold 50,000 Ordinary Shares.
- (lviii) On 19 August 2011, the Company sold 1,501,085 Ordinary Shares.
- (lix) Between 19 August 2011 and 22 August 2011, the Company allotted 198,915 Ordinary Shares.
- (lx) Between 26 August 2011 and 8 September 2011, the Company allotted 4,300,000 Ordinary Shares.
- (lxi) Between 18 October 2011 and 2 December 2011, the Company allotted 3,774,987 Ordinary Shares.
- (lxii) Between 2 December 2011 and 20 December 2011, the Company allotted 200,000 Ordinary Shares.
- (lxiii) Between 4 January 2012 and 31 January 2012, the Company allotted 1,750,000 Ordinary Shares.
- (lxiv) Between 1 February 2012 and 24 February 2012, the Company allotted 4,175,000 Ordinary Shares.

(lxv) Between 7 March 2012 and 30 March 2012, the Company allotted 5,025,000 Ordinary Shares.

As at 1 October 2008, the Company had in issue 121,942,517 Ordinary Shares and, as at 31 March 2012, the Company had in issue 141,366,419 Ordinary Shares.

2.3. The following table sets out the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 March 2012 (the last date in respect of which financial information on the Company has been published):

	<i>31 March 2012</i>
Total current debt	
– Guaranteed	–
– Secured	–
– Unguaranteed/unsecured	–
Total Non-current debt	
– Guaranteed	–
– Secured	–
– Unguaranteed/unsecured	–
Shareholders' equity	
– Share capital	£35,342,000
– Legal reserves (excl. revenue reserves)	£38,330,000
– Other reserves (excl. revenue reserves)	–
Total	<u>£73,672,000</u>

2.4. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

2.5. At a general meeting of the Company held on 15 May 2012, the Directors were authorised as follows:

- (i) generally and unconditionally pursuant to section 551 of the Act, to allot Shares and to grant rights to subscribe for or to convert any security into Shares up to an aggregate nominal amount of £25,000,000 (such authority to expire on 31 March 2013 or, if earlier, at the conclusion of the next annual general meeting of the Company); and
- (ii) pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in section 560 of the Act) and to sell Shares held by the Company in treasury, for cash pursuant to the authority noted in paragraph 2.5(i) above as if sub-section 561(1) of the Act did not apply to any such allotment or sale, provided that this authority is to expire on 31 March 2013 or, if earlier, at the conclusion of the next annual general meeting of the Company (but so that the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired) and is limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £25,000,000.

2.6. The disapplication of statutory pre-emption rights in the terms provided under the special resolution noted at paragraph 2.5 above gives the Company the flexibility to resell Shares which it holds in treasury for cash without first being required to offer such Shares to existing Shareholders in proportion to their existing holdings.

2.7. The Company has authority to buy back up to 19,579,401 Shares being approximately 14.99 per cent. of the Shares in issue as at 5 January 2012 (the date on which the buy-back authority was granted by special resolution of the Company). The Company has not purchased any Shares pursuant to this authority.

2.8. The provisions of section 561 of the Act, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply to the unissued capital of the Company except as referred to in paragraphs 2.5 and 2.6 above.

- 2.9. It is expected that the New Shares will be issued pursuant to a resolution of the Board on or around 20 August 2012 conditional upon admission of those Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities. All of the Ordinary Shares are (or, in the case of any New Shares which are issued, will be) admitted to trading on the main market of the London Stock Exchange.
- 2.10. Under the Issue, the New Shares will be issued fully paid and in registered form and may be held in either certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments. The Articles permit the holding of New Shares under the CREST system. CREST is a voluntary system and holders of New Shares who wish to receive and retain share certificates will be able to do so. Temporary documents of title will not be issued in respect of New Shares issued in certificated form under the Issue. Definitive certificates for such New Shares are expected to be despatched in the week commencing 27 August 2012.
- 2.11. Winterflood Securities, Numis Securities, Investec Investment Banking, Canaccord Genuity, Oriel Securities and JPMorgan Cazenove act as market makers in respect of the Shares.

3. Articles of Association

The Ordinary Shares (which at the date of this document are the only class of share in issue in the Company) have attached thereto the respective rights and privileges and are subject to the respective limitations and restrictions set out in this paragraph 3. The Articles contain provisions, *inter alia*, to the following effect:

3.1. Dividends

Subject to the provisions of the Act, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but only on the recommendation of the Board and no dividend shall exceed the amount recommended by the Board. The Board may also pay such interim dividends as appear to them to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company justifies its payment.

3.2. Voting

3.2.1. General voting rights

The holder of an Ordinary Share shall be entitled to receive notice of and to attend, speak and vote at all general meetings of the Company in person (or, if a corporation, by a duly authorised representative) or by proxy. At any general meeting, on a show of hands every holder of Ordinary Shares who is present and entitled to vote shall have one vote and upon a poll every such holder of shares present in person, by corporate representative or by proxy shall have one vote in respect of each share held by him and every corporate representative present in person may exercise all the powers on behalf of the company which authorised him to act as its representative and shall have one vote for every share in respect of which he is appointed the corporate representative. However, no member shall be entitled to exercise a vote at any general meeting (or class meeting): (i) in relation to an Ordinary Share if any call or other sum immediately payable by him in respect of that Ordinary Share remains unpaid; or (ii) in relation to any Shares if a member has been served with a statutory notice by the Directors in the manner described in paragraph 3.2.2 below and has failed to supply to the Company the information required thereby within 14 days.

3.2.2. Restrictions on voting

If a holder of Shares or any person appearing to be interested in those Shares is served with a statutory notice by the Company under section 793 of the Act (which notice demands the disclosure of certain information regarding the relevant receiver's interest in the Shares) but defaults in supplying to the Company the information thereby required within 14 days of the service of such notice then the Directors may serve on the holder of those Shares a further notice (a "restriction notice") the effect of which is, *inter alia*, to prevent the holder from voting at any general meeting or class meeting of the Company in respect of those Shares.

3.3. *Redeemable Shares*

The Company may (subject to company law and any rights conferred on the holders of any other Shares) issue Shares which are to be redeemed, or are liable to be redeemed, at the option of the Company or the holder of the Share and the Board is authorised to determine the terms, conditions and manner of redemption of any such Shares.

3.4. *Transfer of Shares*

The Articles provide that Shares may be transferred on the basis that any member may transfer all or any of his shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register of members of the Company in respect of it.:

However the Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any share (not being fully paid shares) and may decline to register any transfer of a share in respect of which the Company has a lien.

In relation to certificated Shares, the Board may also decline to register any transfer unless:

- (i) the instrument of transfer is lodged at the registered office of the Company or such other place as the Board may from time to time determine accompanied (save in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the Share to which it relates and such other evidence as the Board may reasonably require to show the right of the person executing the instrument of transfer to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of Share; and
- (iii) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.

3.5. *Variations of rights*

All or any of the rights for the time being attached to any class of Shares in issue may from time to time (whether or not the Company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class (excluding any Shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those Shares. All the provisions of the Articles as to general meetings of the Company (described at paragraph 3.12 below) shall, *mutatis mutandis*, apply to any such separate general meeting, but so that the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of the class (excluding any Shares of that class held as treasury shares), (but so that at any adjourned meeting one holder present in person or by proxy (whatever the number of Shares held by him) shall be a quorum), that every holder of Shares of the class present in person or by proxy (excluding any Shares of that class held as treasury shares) shall be entitled on a poll to one vote for every Share of the class held by him (subject to any rights or restrictions attached to any class of Shares) and that any holder of Shares of the class present in person or by proxy may demand a poll. The foregoing provisions shall apply to the variation of the special rights attached to some only of the Shares of any class as if each group of Shares of the class differently treated formed a separate class and their special rights were to be varied.

3.6. *Reduction of Capital*

The Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve in any manner permitted by law.

3.7. *Borrowing powers*

The Board may, subject to the restrictions set out below, exercise all of the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of intra group borrowings) shall not, except with the sanction of the Company in general meeting, exceed at the time of borrowing an amount equal to the aggregate of the Adjusted Total of Capital and Reserves, all as shown in the latest published audited consolidated balance sheet of the Company and its subsidiaries (i) adjusted in respect of any variation in the paid up capital and share premium account of the Company since the date of that balance sheet and (ii) excluding any amounts set aside for taxation and any amounts attributable to outside shareholders in subsidiaries and (iii) deducting any debit balance on the consolidated profit and loss account at the date of that balance sheet and (iv) excluding any amount representing unrealised appreciation on capital assets as shown in such balance sheet.

The term “moneys borrowed” shall be deemed to include:

- (i) the nominal amount of any issued debentures (as defined in section 738 of the Act) notwithstanding that the same be issued in whole or in part for a consideration other than cash;
- (ii) the nominal amount of any issued share capital and the principal amount of any moneys borrowed, the repayment whereof is guaranteed by the Company or any of its subsidiaries (together in each case with any fixed or minimum premium payable on final redemption or repayment) except so far as either (i) such share capital or the debt owing in respect of such borrowed moneys are for the time being beneficially owned by the Company or by any of its subsidiaries or (ii) such borrowed moneys are otherwise taken into account as moneys borrowed by the Company or any of its subsidiaries.

3.8. *Directors*

3.8.1. *Number of Directors*

The minimum number of Directors is two and there is no maximum number of Directors.

3.8.2. *Appointment and removal of Directors*

The Company may by ordinary resolution appoint any person who is willing to act to be a Director (either as an addition to the Board or to fill a vacancy). The Board may also appoint any person to the Board (either as an addition or to fill a vacancy) for the period from the date of appointment until the next general meeting.

Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected.

The Company may remove a Director at any time by special resolution.

The office of Director shall also be vacated if:

- (i) he resigns his office by notice in writing; or
- (ii) by notice in writing he offers to resign and the Board resolves to accept such offer; or
- (iii) by notice in writing his resignation is requested by all of the other Directors; or
- (iv) he is or has been suffering from mental ill health or becomes a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated; or
- (v) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or

- (vi) he becomes bankrupt or compounds with his creditors generally; or
- (vii) he is prohibited by law from being a Director; or
- (viii) he ceases to be a Director by virtue of company law or is removed from office pursuant to the Articles.

3.8.3. *Directors' fees, expenses and remuneration*

The fees paid to Directors for their services as Directors shall not exceed £84,400 in aggregate or such higher amount as the Company may by ordinary resolution determine and is subject to annual upward adjustment on 1 October each year in line with the change in the Retail Price Index and is also subject to a pro rata adjustment should the number of Directors be increased. A Director may also be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board (or any committee thereof) and any other meeting that he is entitled to attend and all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties. A Director who is appointed to any executive office or who performs services which, in the opinion of the Board, go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board (or any committee thereof) may think fit.

3.8.4. *Directors' interests*

No Director or proposed or intending director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any contract in which any Director is in any way interested be liable to be avoided, nor shall any Director who is so interested be liable to account to the Company or the members for any remuneration, profit or other benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established.

A Director may hold any other office or place of profit with the Company (except that of auditor) for such period (subject to company law) and upon such terms as the Board may decide, and may be paid such extra remuneration for so doing as the Board or any committee authorised by the Board may decide.

A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested or as regards which it has any power of appointment, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a Director or officer of or from his interest in the other company.

A Director may act by himself or his firm in a professional capacity (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

A Director shall not vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested.

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any actual or proposed transaction or arrangement with the Company in which he has an interest which (taken together with any interest of any person connected with him) is to his knowledge an interest of which he is aware, or ought reasonably to be aware, does conflict, or can reasonably be regarded as likely to give rise to a conflict, with the interests of the Company and, if he shall do so, his vote shall not be counted (subject to certain exceptions provided under the Articles).

A Director who is in any way, whether directly or indirectly, interested in an actual or proposed transaction or arrangement with the Company shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the contract is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

In respect of any situation in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, the Board may authorise the matter, on such terms as they may determine, provided that:

- (i) the Director has declared the full nature and extent of the situation to the Board; and
- (ii) it is proposed (either by the Director in question or another) that the Board authorise the matter and upon the resolution to do so the requirement for the quorum is met without counting the Director in question and the resolution was agreed to without such Director voting or would have been agreed to if that conflicted Director's vote had not been counted.

Any authorisation given by the Board under the Articles may provide that, where the interested director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or use it in relation to the Company's affairs in circumstances where to do so would amount to breach of confidence.

Subject to company law, the Company may by ordinary resolution suspend or relax the above provisions on directors' conflicts to any extent or ratify any contract not properly authorised by reason of a contravention of the Articles.

3.8.5. *Voting and quorum*

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

The quorum at Board meetings shall be two Directors (unless fixed at another number by the Board).

3.8.6. *General meetings*

Annual general meetings shall be convened by not less than 21 clear days' notice in writing. Subject to the Act, all other general meetings shall be called by not less than 14 clear days' notice in writing. The notice shall specify the place, day and time of the meeting, the general nature of the business to be transacted, the address of the website where information relating to the meeting is available, the record date, any procedures as to attendance and voting and an explanation of the right to ask questions and the right to requisition resolutions in accordance with the Act. Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or the terms of issue of the Shares they hold, are not entitled to receive such notices from the Company, and also to the Auditors.

Subject to the Act, and notwithstanding that a meeting of the Company is convened by shorter notice than that specified above, it shall be deemed to have been properly convened if it is so agreed:

- (i) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

The Directors may, from time to time, make such arrangements for the purpose of controlling the level of attendance at any such place as they shall, in their absolute discretion, consider appropriate, and may from time to time vary any such arrangements or make any new arrangements in place of them, provided that the entitlement of a member to attend a meeting or adjourned meeting shall be satisfied by his being given the entitlement to attend at such place as may be specified by the Directors for the purpose.

The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute

discretion to refuse entry to, or to eject from, such general meeting any person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

4. Directors' and other interests

- 4.1. The aggregate of the remuneration paid and benefits in kind granted to the Directors by the Company for the financial period which ended on 30 September 2011 was £60,250. It is estimated that the aggregate remuneration to be paid and benefits in kind granted to the Directors by the Company for the current financial period will not exceed £68,000 in total. The total remuneration and benefits in kind granted to the Directors will not be varied as a consequence of the Issue. None of the Directors is eligible for pension, retirement or similar benefits.
- 4.2. Each of Ronnie Hanna, Ian Boyd, Kevin Hart has entered into a letter of appointment with the Company dated 1 May 2007 and David Warnock has entered into a letter of appointment with the Company dated 12 November 2010. Each Director is subject to re-election annually. The Company has the right to terminate each appointment without compensation if the relevant Director is required to vacate office in accordance with the Articles and, subject thereto, the letters of appointment do not contain any contractual provisions regarding the compensation which would be payable upon early termination by the Company. The fees payable are £24,000 per annum to Ronnie Hanna, the Chairman, and £18,000 per annum to Ian Boyd and £16,000 per annum to Kevin Hart and David Warnock. The fees will be reviewed annually and may be increased in line with usual market rates. Save as set out in this paragraph 4.2, there are no existing or proposed service contracts or letters of engagement between any of the Directors and the Company.
- 4.3. No Director has or has had any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which has been effected by the Company since its date of incorporation.
- 4.4. No loan or guarantee has been granted or provided by the Company for the benefit of any Director.
- 4.5. The Directors do not have any options over Shares. As at the date of this document, the interests of the Directors in the issued share capital of the Company were as follows:

<i>Director</i>	<i>No. of Shares</i>	<i>Percentage of issued share capital</i>
Ronnie Hanna	212,891	0.14%
Ian Boyd	100,000	0.06%
Kevin Hart	32,258	0.02%
David Warnock	400,000	0.26%

- 4.6. As at 11 July 2012, the Company was aware of the following interests in three per cent. or more of the issued share capital of the Company:

	<i>No. of Shares</i>	<i>Percentage of issued share capital</i>
Brewin Dolphin	16,034,243	10.21%
Lloyds Banking Group	9,181,312	5.85%
M&G Investment Management Limited	7,908,099	5.04%
Troy Asset Management Limited	6,309,974	4.02%
Henderson Global Investors	6,034,493	3.84%

The Directors are not aware of any person or persons who, following the Issue, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder.

- 4.7. Details of those companies (other than the Company, its subsidiary and subsidiaries of the companies disclosed below) and partnerships of which the Directors have been a member of the administrative, management or supervisory body or a partner at any time since 11 July 2007 are as follows:

	<i>Current Directorships</i>	<i>Previous Directorships</i>
(i) Ian Boyd	The Weir Group Senior Executives Pension Trust Limited	Braid Group (Holdings) Limited
(ii) Ronald Hanna	Albemarle (Shoreham) LLP Albemarle Leisure LLP Apremont Limited Peatallan PLC A.G. Barr PLC Dumbarton Property and Trading Company Limited Bowleven PLC R&A Trust Company (No.1) Limited R&A Trust Company (No.2) Limited The R&A Foundation R&A Group Services Limited R&A Rules Limited	Cuthill LLP Queen Margaret University, Edinburgh QMU Enterprises Limited Edinburgh New Income Trust PLC Highmore Homes Limited Dumbarton Investment Company Limited Dumbarton and Edinburgh Properties LLP
(iii) Kevin Hart	Bowleven PLC Bowleven Resources Limited Columbia 1400 Firstafrica Oil Limited Dog House Properties Ltd	Cairn Resources (2002) PLC Argent Energy Limited VFE Partners Limited
(iv) David Warnock	City Health Clinic Group Limited Pheonix IT Group PLC Standard Life European Private Equity Trust PLC British Polythene Industries PLC City Health Clinic Edinburgh Limited Greatvine Limited	Aberforth Partners LLP Pritchard Property Consultants LLP (formerly known as Links Advisers LLP) Aberforth Unit Trust Managers Limited Aberforth LGP IA Limited Aberforth LGP IB Limited DW Links Limited Aberforth SGP IA Limited Aberforth SGP IB Limited

4.8. As at the date of this document, none of the Directors:

- 4.8.1. has any convictions in relation to fraudulent offences for at least the previous five years;
- 4.8.2. has been the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 4.7 above;
- 4.8.3. has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

4.9. There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. All of the Directors are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager.

5. Related party transactions

The Company was not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three financial periods ended 30 September 2011 in respect of which the Company has published

statutory accounts, the six month period to 31 March 2012 in respect of which the Company has published a half-yearly report and accounts or during the period from 1 April 2012 to the date of this document.

6. Material contracts

The following are all of the material contracts, other than contracts entered into in the ordinary course of business, to which the Company has been a party within the two years preceding the date of publication of this document and any other contract, not being a contract entered into in the ordinary course of business, that has been entered into by the Company which contains any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

- 6.1. The investment management agreement pursuant to which the Manager has agreed, subject to the overall policy and supervision of the Directors and such directions as the Directors may give from time to time, to manage the Company's investments in accordance with the Company's investment policy (the "Investment Management Agreement"). The Manager will receive a management fee determined on a monthly basis in accordance with the Investment Management Agreement and which will be payable quarterly in arrears. The management fee will be calculated at the annual rate of 0.75 per cent. of the net assets of the Company. Pursuant to a letter agreement dated 14 January 2010 supplementing the Investment Management Agreement (the "Discount Control Supplementary Agreement"), the Company's discount control policy is operated by the Manager for an additional fee of £30,000 per annum (excluding VAT), payable six monthly in arrears.

The Investment Management Agreement is for an indefinite term and may be terminated at any time by either party giving to the other not less than six months' written notice. If the Company gives less than the prescribed period of notice, then the Manager is entitled to receive a sum calculated by reference to the unexpired period of such notice. However, the Investment Management Agreement may also be terminated by either party forthwith if: (i) any petition is presented or a resolution passed for the winding up of the other party (other than a winding up for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the relevant party), (ii) a receiver or similar officer is appointed to the property and undertaking of the other party or the other party becomes insolvent, is dissolved or goes into liquidation, (iii) the other party commits any material breach which remains unremedied or is guilty of fraud, wilful default, serious misconduct or negligence, or (iv) if the Company is the subject of any reconstruction or amalgamation following a continuation vote in respect of the Company having been proposed to, and having failed to be passed by, the Company in general meeting and/or the Company is wound up, liquidated or dissolved. In addition, the Investment Management Agreement may be terminated by the Company forthwith if: (i) the Manager is involved in any conduct which is materially prejudicial to the interests of the Company, (ii) the Company ceases to satisfy the conditions for approval as an investment trust for United Kingdom tax purposes by reason of the negligence or wilful default of the Manager, (iii) the Manager ceases to be legally entitled to carry on the activities required of it under the terms of the Investment Management Agreement, (iv) there is change of control of the Manager (other than an acquisition of control by the Manager's existing management team or a change of control which does not include a change of control of the ultimate holding company), (v) if Francis Brooke ceases to be a full-time executive of the Manager or (vi) if the Manager is the subject of a material adverse finding following an investigation, audit or visit by the Financial Services Authority. The Discount Control Supplementary Agreement is also for an indefinite term and terminable by either party on six months' prior written notice or summarily in the same circumstances in which the Investment Management Agreement is terminable (whether or not the Investment Management Agreement is terminated at the same time).

The Company has agreed to indemnify the Manager against all costs, claims and demands arising directly out of the proper performance of its duties except where such liabilities result from the misconduct, wilful default, fraud, negligence or breach of duties of the Manager. Such indemnity is in a form which is usual for an agreement of this kind.

- 6.2. A custody agreement between the Company and the Custodian pursuant to which the Company (acting by the Manager as its agent) has appointed the Custodian to act as its custodian in relation to the cash and securities of the Company and to provide, *inter alia*, the services of holding cash and securities and arranging settlement of transactions in relation to those assets

and providing other services typical of a Custodian. Under the agreement, the Company has agreed to indemnify the Custodian and each of its Directors, employees and agents on an after-tax basis against any liabilities, reasonable costs and expenses (including legal costs) and all duties and taxes (other than corporation tax) which are directly caused by the provision by the Custodian of its services to the Company; any material breach by the Company of the agreement; any default or failure by the Company in performing its obligations to make delivery or payment when due; or any defect in title or any fraud or forgery in relation to any investments delivered to the Custodian by or on behalf of the Company or in relation to any transfer instrument in relation to such investments (including any electronic instruction) purporting to transfer such investments. The Custodian is not entitled to be indemnified against the consequences to the Custodian of its own negligence or wilful default or any contravention by the Custodian of the FSA rules.

The agreement may be terminated by either party on 30 days notice. The agreement terminates automatically on the termination of the Investment Management Agreement. Under the agreement, the Custodian is entitled to receive a custodian charge up to 2.5 basis points of the value of the assets per annum and transaction charges.

- 6.3. The Company has entered into a Secretarial Agreement with Personal Assets Trust Administration Company Limited (“PATAC”) whereby PATAC has agreed to provide company secretarial, accounting and office services to the Company in return for a fee (plus VAT, if any, at the applicable rate) payable quarterly in advance. The Secretarial Agreement may be terminated by either party on three months’ notice.
- 6.4. By letter agreement between the Company and Troy dated 13 July 2012, Troy has agreed, subject to the Albany Scheme becoming effective, to make a contribution to meet the costs and expenses of the Company in connection with the Proposals in such amount as would be required to meet the costs of the Company’s participation in the Proposals to the extent not met by the premium to net asset value at which the New Shares are issued.
- 6.5. By a letter of undertaking from the Company to Albany and others dated 13 July 2012, the Company has irrevocably undertaken, in connection with the Albany Scheme, to enter into an agreement (the “Transfer Agreement”) between the Company, the Albany Liquidators (in their personal capacity and on behalf of Albany) and Troy on the Effective Date or as soon as practicable thereafter, pursuant to which the assets comprising the Rollover Pool will be transferred to the Company in exchange for the issue of New Shares to the Albany Shareholders. Each of the parties to the Transfer Agreement has undertaken to use its or his respective reasonable endeavours to give effect to the Albany Scheme, provided that the conditions to the Albany Scheme have been fulfilled.
- 6.6. By a letter of undertaking from the Company to Grampian and others dated 3 July 2012, the Company has irrevocably undertaken, in connection with the Grampian Scheme, to enter into an agreement (the “Grampian Transfer Agreement”) between the Company, the proposed liquidators of Grampian (in their personal capacity and on behalf of Grampian) and Troy on the effective date of the Grampian Scheme or as soon as practicable thereafter, pursuant to which certain assets of Grampian will be transferred to the Company in exchange for the issue of new Ordinary Shares to shareholders of Grampian. Each of the parties to the Grampian Transfer Agreement has undertaken to use its or his respective reasonable endeavours to give effect to the Grampian Scheme, provided that the conditions to the Grampian Scheme have been fulfilled. Details of the Grampian Scheme are set out in part 2 of the prospectus published by the Company on 3 July 2012. Part 2 of that prospectus is expressly incorporated by reference into this document.

7. Mandatory bids, squeeze-out and sell-out rules

7.1. *Mandatory bids*

As a company incorporated in Scotland with shares admitted to trading on the London Stock Exchange, the Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent, or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent, but not more than 50 per cent, of the voting rights exercisable at a

general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buying back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

7.2. *Squeeze-out and sell-out rules*

Other than as provided by the Act, there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Ordinary Shares.

8. Investment restrictions

8.1. In accordance with the requirements of the UK Listing Authority, the Company:

- (i) will not invest more than ten per cent. in aggregate of the value of the total assets of the Company in other investment companies or investment trusts which are listed in the Official List (except to the extent that those investment companies or investment trusts have published investment policies to invest no more than 15 per cent. of their gross assets in other investment companies or investment trusts which are listed on the Official List);
- (ii) will not conduct any trading activity which is significant in the context of the Company as a whole;
- (iii) will, at all times, invest and manage its assets:
 - (a) in a way which is consistent with its object of spreading investment risk; and
 - (b) in accordance with its published investment policy.

8.2. As an investment trust, the Company aims to comply with section 1158 of the Tax Act, which for its accounting period to 30 September 2012 requires that the Company's income is derived wholly or mainly from shares or securities and, in general, that no holding in a company, other than another investment trust, represents more than 15 per cent. by value of the Company's investments. From 1 October 2012, the new investment trust tax regime introduced by the Investment Trust (Approved Company) (Tax) Regulations 2011 applies to the Company. This removes the requirement that the Company's income is derived wholly or mainly from shares or securities, and replaces the requirement that no holding in a company, other than another investment trust, represents more than 15 per cent. by value of the Company's total investments with an obligation to spread investment risk.

8.3. In accordance with the requirements of the UK Listing Authority, the Company will not make any material change to its published investment policy without the approval of its Shareholders by ordinary resolution. Such an alteration would be announced by the Company through a Regulatory Information Services.

8.4. In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company by an announcement issued through a Regulatory Information Service approved by the UK Listing Authority.

9. Taxation

The information contained in this document relating to taxation is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors. The following statements are intended as a general guide only and do not constitute legal or tax advice to any Shareholder or prospective Shareholder or investor. They are based upon the United Kingdom law and HM Revenue & Customs practice currently in force, and relate only to the position of Shareholders who are beneficial owners of their Shares. They may not relate to certain categories of

Shareholders, such as dealers in securities. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding or selling Ordinary Shares in the Company.

The information set out below does not address the tax consequences for persons who become Shareholders by receiving New Shares under the Albany Scheme. These are discussed in the circular from Albany to Albany Shareholders dated 13 July 2012 which includes details of the Albany Scheme.

9.1. *The Company*

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under section 1158 of the Tax Act. Approval is currently granted retrospectively by HM Revenue & Customs for each accounting period. However, the Investment Trust (Approved Company) (Tax) Regulations 2011, which came into force on 1 January 2012 and will apply to the Company from its accounting period beginning 1 October 2012, require an up-front application to be made for approval as an investment trust. Once approved, the Company will continue to have investment trust status in each accounting period, other than to the extent that the Company has a serious breach of one of the conditions for qualification as an investment trust. In order to maintain its investment trust status for an accounting period, the Company must not, *inter alia*, be a close company at any time in that accounting period. The Directors do not anticipate that the Company will be a close company.

In respect of each accounting period for which the Company is approved as an investment trust, it will be exempt from United Kingdom taxation on its capital gains.

The Company will, however, be liable to UK corporation tax on its income profits in the normal way, with dividend income generally being exempt from corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available on overseas income other than dividend income.

9.2. *Shareholders*

9.2.1. *Taxation of capital gains*

Shareholders resident or ordinarily resident in the UK for taxation purposes may, depending upon their personal circumstances, be liable to UK capital gains tax or, in the case of corporations, corporation tax on chargeable gains arising from the sale or other disposal (which includes disposal upon a winding up) of their Shares for the purposes of the TCGA (“Capital Gains Tax”). On such a disposal by an individual Shareholder who is resident or ordinarily resident in the UK for taxation purposes, a rate of Capital Gains Tax at 28 per cent. for individuals who pay income tax at the higher or additional rates of tax; otherwise a tax rate of 18 per cent. applies. An individual may be able to claim certain reliefs (including the annual exemption in respect of the first £10,600 of capital gains received in the financial year 2012/2013). Shareholders which are corporations resident in the UK will benefit from an indexation allowance which, in general terms, increases the Capital Gains Tax base cost of an asset in accordance with changes in the Retail Prices Index.

Shareholders who are not resident or ordinarily resident in the UK for taxation purposes will not normally be liable to Capital Gains Tax arising from the sale or other disposal of their Shares unless (in the case of a corporate shareholder) those Shares are held through a UK branch or agency although they may be subject to charges to foreign taxation depending upon their personal circumstances.

9.2.2. *Taxation of dividends*

Under current legislation, no withholding tax will be deducted from any dividends paid by the Company to UK resident Shareholders.

Individuals resident in the UK for taxation purposes are generally liable to income tax on the aggregate amount of a dividend and a tax credit equal to one-ninth of the dividend. For example, on a dividend of £90, the tax credit would be £10, and an individual would be liable to income tax on £100. No further income tax is payable in respect of the dividend by UK resident individuals who are not liable to income tax at the higher rate. UK resident individuals who are subject to tax at the higher rate, but not the additional rate, have to pay additional tax on a dividend to the extent that tax

at the rate applicable to dividends for such individuals (currently 32.5 per cent.) on the aggregate of the dividend and tax credit exceeds the tax credit. For example, on a dividend of £90 such a taxpayer would have to pay additional tax of £22.50. For this purpose, dividends are treated as the top slice of an individual's income.

The dividend additional rate of income tax of 42.5 per cent. applies to UK resident individuals who receive dividends and who have taxable income from all sources in excess of £150,000 per annum. Accordingly, an additional rate tax payer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum at the top slice of his income, it falls above the threshold for the additional rate of income tax) at the rate of 42.5 per cent., against which he can offset the 10 per cent. tax credit.

No repayment of the tax credit in respect of dividends can be claimed by a UK resident Shareholder.

UK resident corporate Shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends.

Non-UK resident Shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK.

9.3. *Stamp duty and stamp duty reserve tax*

An agreement to transfer Shares through CREST will normally be subject to stamp duty reserve tax at the rate of 0.5 per cent. or, if the transferee is a person to whom the depositary receipt or clearance service charge to stamp duty reserve tax may apply, at the rate of 1.5 per cent. of the value of the consideration paid. If an instrument of transfer of the Shares is subsequently executed (if the Shares are not transferred through CREST), it will generally be subject to stamp duty at the rate of 0.5 per cent. or, if the transferor is a person to whom the depositary receipt or clearance service charge to stamp duty may apply, at the rate of 1.5 per cent. of the value of the consideration paid, in either case rounded up to the nearest multiple of £5. When such an instrument of transfer is duly stamped and stamp duty is paid within specified time limits, the stamp duty reserve tax charge will be cancelled and any stamp duty reserve tax already paid will be refunded.

When Shares are transferred in CREST, there will be no charge to stamp duty reserve tax on the transfer (unless made for a consideration, in which case stamp duty reserve tax will be payable at the rate of 0.5 per cent. of the actual consideration paid).

Liability to pay stamp duty or stamp duty reserve tax is normally that of the transferee or purchaser.

9.4. *ISAs*

New Shares will qualify for the stocks and shares component of an ISA, provided that they are acquired by an ISA manager in the market. Shares subscribed for directly pursuant to an Issue will not qualify for the stock and shares component of an ISA. Direct transfers to an ISA will render such shares ineligible for ISAs.

9.5. *SIPPS and SSASs*

Ordinary Shares will be permitted investments for SIPPs and SSASs.

10. **General**

10.1 Assuming that the Proposals become unconditional, the estimated aggregate costs and expenses to be incurred by the Company in connection with the Proposals will be approximately £320,000 (including irrecoverable VAT). If the Albany Scheme becomes unconditional, Troy will make a contribution to the Company to meet the costs incurred by the Company in respect of its participation in the Proposals to the extent not met by the premium to net asset value at which the New Shares are issued.

10.2. In the event that the maximum number of New Shares (being 55 million New Shares) is issued under the Proposals, the existing Ordinary Shares as at 11 July 2012 would represent 74.06 per cent. of the enlarged issued share capital of the Company.

- 10.3. There are no governmental, legal or arbitration proceedings (and, in so far as the Company is aware, there are no governmental, legal or arbitrational proceedings pending or threatened) which may have, or have had in the previous twelve months, significant effects on the Company's financial position or profitability.
- 10.4 The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next twelve months from the date of this document).
- 10.5. The Company has no employees, nor does it own any premises.
- 10.6. Dickson Minto W.S. has given and not withdrawn its consent to the issue of this document with inclusion therein of its name in the form and context in which they are included.
- 10.7 The unaudited Net Asset Value per Share as at 11 July 2012 was £0.5451 including current income.
- 10.8 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced, the source of such information has been identified and, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

11. Documents available for inspection

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and 16 Charlotte Square, Edinburgh EH2 4DF until 20 August 2012:

- (i) the articles of association of the Company;
- (ii) the annual reports and accounts of the Company for the three financial years ended 30 September 2009, 20 September 2010 and 30 September 2011;
- (iii) the interim report and accounts of the Company for the six months ended 31 March 2011 and 31 March 2012;
- (iv) the prospectus published by the Company on 3 July 2012 in relation to the issue of new Ordinary Shares in connection with the Company's participation in the Grampian Scheme;
- (v) the circular sent to Albany Shareholders dated 13 July 2012 containing full details of the Albany Scheme; and
- (vi) this document.

12. Availability of Prospectus

The Prospectus is available for inspection at www.hermscott.com/nsm.do and, until 20 August 2012, copies are available for collection, free of charge, from the offices of Dickson Minto Broadgate Tower, 20 Primrose Street, London EC2A 2EW and 16 Charlotte Square, Edinburgh EF12 4DF and from the registered office of the Company, 10 St Colme Street, Edinburgh EH3 6AA.

13 July 2012

