

Issued 1 November 2010

Key Facts

Manager

Albion Ventures LLP

Launch date

Ordinary shares – December 1998
C shares – October 2002 (merged with Ordinary shares in March 2007)
D shares - October 2009
Albion VCTs Linked Top Up Offer (Ordinary shares only) 1 November 2010

Share classes

Ordinary shares
D shares

Approximate date of dividend payments

May & September

Current dividend target

Ordinary shares 5p per share per year
D shares 2-3p per share per year

LSE mnemonic

AADV
AADD

Directors

Geoffrey Vero (Chairman)
David Pinckney (Chairman of the Audit Committee)
Jonathan Thornton
Andrew Phillipps

Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of lower risk, asset-backed investments that provide a strong income stream, combined with investment in a smaller number of higher risk companies with greater growth prospects. In neither category would investee companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of qualifying investments by cost will comprise loan stock secured with a first charge on the investee company's assets. Funds held pending investment or for liquidity purposes will be held as cash on deposit or in floating rate notes or similar instruments with banks or other financial institutions with a Moody's rating of A or above.

Venture Capital Trust status

In addition to the investment policy described above, the HMRC rules drive the Company's investment allocation and risk diversification policies. In order to maintain status under Venture Capital Trust legislation, the following tests must be met:

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
- (3) At least 30 per cent. by value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares';
- (4) At no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by value of its investments;
- (5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (6) Eligible shares must comprise at least 10 per cent. by value of the total of the shares and securities that the Company holds in any one investee company; and
- (7) The Company's shares, throughout the year must have been listed in the Official List of the Stock Exchange.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any investee company.

'Qualifying Holdings' for Albion Development VCT PLC include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture, and operating or managing hotels or residential care homes. The Company may not control an investee company.

For the Ordinary share portfolio, the gross assets of an investee company must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter and there is an annual investment limit of £1 million in each company.

For the D Share Portfolio, the following additional restrictions on investment will apply:

- an investee company's gross assets must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter;
- new investee companies may only raise a maximum of £2 million in any 12 month period from funds sourced from VCTs, Enterprise Investment Schemes or Corporate Venturing Schemes which raised funds subsequent to 5 April 2007; and
- investee companies must have fewer than the equivalent of 50 full-time employees at the time of investment.

Those investments which are permitted for both classes of share will be allocated between them in the ratio of funds available for investment.

This factsheet is issued in the UK by Albion Ventures LLP

Investment in the Company will involve certain risks, including:

- The Company will invest in unquoted investments which are, or may be, illiquid and difficult to realise;
- The Company will invest in shares of companies that may be subject to transfer restrictions;
- The performance of the Company is dependent on the availability of appropriate tax reliefs relating to venture capital trust status.

The value of investments can fall as well as rise and an investor may not get back the original amount invested.

The tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. Albion Ventures does not provide advice to, or ensure suitability in respect of any of its investment funds. An authorised investment adviser should be consulted in all circumstances where advice on an investment product is required. Although Albion Ventures may have an informed opinion on such matters, it cannot comment on the individual circumstances of each investor. The information relating to tax on this website is based on current law and practice and should not be construed as tax advice in respect of which investors should consult their own tax adviser. The market value of, and the income derived from shares can fluctuate and there is no guarantee that the market price of shares will fully reflect their underlying net asset value. There can be no guarantee that the investment objectives will be met.

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Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 December 2009, the Company's maximum exposure was £2,488,000 (2008: £2,543,000) and its actual short term and long term gearing at this date was £nil (2008: £nil). The Directors do not currently have any intention to utilise long term gearing.

Management agreement

Following the buy-out of Close Ventures Limited, the Management agreement was novated to Albion Ventures LLP on 23 January 2009. The Management Agreement may be terminated by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Management Agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 2.25 per cent. of the net asset value of the Company. The fee is payable quarterly in arrears. These management fee arrangements have been extended to the D shares.

With effect from 1 January 2010, total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value

In line with common practice, the Manager is also entitled to an arrangement fee, payable by each investee company, of approximately 2 per cent. on each investment made.

Management performance incentive

The Management performance incentive structure sets a minimum target level, comprising the aggregate of dividends and net asset value per share, at 6.5 pence per share per annum. The Ordinary shares' target minimum return is cumulative from 1 January 2007 (which used the pro forma net asset value of 98.7 pence per share), and for the D shares, will be the Offer price.

In the event that the minimum return is not reached in one year, the shortfall needs to be made up in following years. The incentive fee is set at 20 per cent. of the excess return.

Share buy-back policy (as announced in Interim Management Statement issued May 2010)

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interest, including the maintenance of sufficient resources for the investment in existing and new investee companies and the continued payment of dividends to shareholders. It is the Company's intention that, subject to the sufficiency of cash resources and any market constraints, share buy backs will take place at a discount of around 10 per cent. to the prevailing net asset value.

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