

Issued 1 November 2010

Key Facts

Manager

Albion Ventures LLP

Launch date

2004

Share classes

Ordinary shares

Company Year End

30 September

Approximate date of dividend payments

January & June

Current dividend target

Ordinary shares 3.5p per share per year

LSE mnemonic

AAIG

Directors

Friedrich Ternofsky (Chairman)
John Kerr (Chairman of the Audit Committee)
Mary Anne Cordeiro
Robin Archibald
Patrick Reeve

Investment policy

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

- 45 per cent. to be invested in higher growth unquoted businesses, including early stage technology;
- 45 per cent. to be invested in unquoted asset-based businesses in the leisure sector; and
- 10 per cent. to be held in floating rate securities, cash deposits and gilts with a Moody's credit rating of at least 'A'.

In neither of the first two categories listed above, would investee companies normally have any external borrowing with a charge ranking ahead of the VCT. Up to two thirds of qualifying assets by cost will comprise loan stock secured with a first charge on the investee company's assets.

Venture Capital Trust status

In addition to the investment strategy 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 HMRC 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 HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares';
- (4) At no time during the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by HMRC 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 HMRC 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 one investee company.

'Qualifying holdings', for Albion Income & Growth 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.

Investee company gross assets 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.

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 of the audited balance sheet. As at 30 September 2009, the Company's maximum exposure was £2,753,000 (2008: £3,403,000) 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

Under the terms of the agreement dated 2 August 2004, the Company and Close Ventures Limited entered into a management agreement which may be terminated by either party on 12 months' notice. This agreement was novated to Albion Ventures LLP on 23 January 2009. The Manager will provide the investment management, company secretarial and administrative services to the Company, for a fee payable quarterly in arrears on 1 January, 1 April, 1 July and 1 October in each year, of an amount equal to 2.5 per cent. of the net asset value of 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 also entitled to an arrangement fee payable by each investee company of approximately 2 per cent. On each investment made, and also to fees payable by investee companies for providing non-executive directors to those companies.

Under the terms of the management agreement, the total management and administration expenses of the Company, inclusive of any net irrecoverable VAT, but not including any Manager's performance incentive fee, are limited to a maximum of 3.5 per cent. of the value of the Company's net assets. Any excess will either be paid by the Manager, or refunded by way of deduction of management fees.

Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the management agreement contains the manager's incentive fee arrangement. The target level requires returns to exceed a minimum compound level of 8 per cent. per annum (comprising dividends and net asset value). If the target is achieved the Manager is entitled to 20 per cent. of the excess.

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

As disclosed by the Chairman in the Half-yearly Financial Report announced on 28 May 2010, the Company has limited the cash available for share buy-backs to up to £350,000 for the six months to 30 September 2010.

In the period from 1 April 2010 to 26 July 2010, your Company re-purchased 213,000 shares at an average price of 57.2 pence per share. The shares purchased represent 0.5 per cent. of the total number of voting rights in the Company as at 26 July 2010. Following the buybacks mentioned above, the Company now has just under £227,000 allocated for buybacks until 30 September 2010, at which the time the Board will review the policy further.

All the shares bought back in the period were cancelled.

The closing mid market price for the shares on 30 June 2010 was 58.0 pence per share, resulting in a 15 per cent discount to the net asset value of 68.3 pence per share. This is in line with the Board's longer term target to achieve a discount of between 10 to 15 per cent of net asset value.

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