

Issued 1 November 2010

### Key Facts

#### Manager

Albion Ventures LLP

#### Launch date

1997

#### Share classes

Ordinary shares

#### Company Year End

31 March

#### Approximate date of dividend payments

February & August

#### Current dividend target

Ordinary shares 3p per share per year

#### LSE mnemonic

AAPV

#### Directors

Martin Bralsford (Chairman)

Ebbe Dinsen (Chairman of the Audit Committee)

Modwenna Rees-Mogg

Patrick Reeve

### Investment policy

The Company's investment policy is designed to meet the requirements of investors who seek lower risk investments whilst still providing an attractive level of return. The investments managed by Albion Ventures LLP currently fall into the following categories

#### ● Qualifying asset-based investments

These comprise investments principally in the hotel, leisure, healthcare and residential development sectors, with a mixture of equity and loan stock, with the loan stock normally holding a first charge over freehold or long leasehold property.

#### ● Non-qualifying investments

The remaining funds are invested in cash and floating rate notes, or similar instruments, with banks with a Moody's rating of A and above.

Qualifying asset-based investee companies do not 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 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 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 period by holdings of 'eligible shares';
- (4) At no time in the period 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 period 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 period, 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 Prime 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 and agriculture.

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. As at 31 March 2010, the Company's maximum exposure was £1,478,000 (2009: £1,506,000), and its actual short term and long term gearing at this date was £nil (2009: £nil). The Directors do not currently have any intention to utilise long term gearing.

#### Management agreement

The management agreement can be terminated by either party on 12 months' notice and is also subject to earlier termination in the event of certain breaches or on the insolvency of either party. Under this agreement, the Manager also provides secretarial and administrative services to the Company.

The management fee is calculated as 1.8 per cent. of the investments of the Company. The fee is payable quarterly in arrears. In addition, an annual secretarial and administrative fee of £27,865 is payable to the Manager.

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

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager. The incentive is based on a share of the excess return above a hurdle rate, paid out annually in cash as an addition to the management fee. The share of the excess return will be 10 per cent. The hurdle rate has been set at an annual return of 5 per cent. per annum, representing dividends paid and growth in net asset value, over the preceding year's net asset value. Incentive fees may be paid out on an annual basis, following the Annual General Meeting. Both the total return and the hurdle rate will be cumulative from 1 April 2005, with any shortfall resulting in payments not being made until performance catches up.

#### Share buy-back policy (as announced in annual report to 31 March 2010 and the Interim Management statement released in August 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 Company's interest, including the maintenance of sufficient resources for investment in existing and new investee companies and the continued payment of dividends to shareholders. In order to balance these different requirements, your Board has restricted the Company's buy-back policy so as to limit the cash available for share buy-backs. Accordingly, the Company will now limit the sum available for share buy-backs for the six month period to 30 September 2010 to £200,000. This compares to a total value bought in for the previous six months of £99,000. If this limit is reached, the Board will review its policy in the light of cash available for new investments and for dividends to existing shareholders.

For the great majority of the Company's life, its shares have traded at a discount of around 10 per cent. to net asset value. During the recent turmoil in the financial markets, this discount has widened considerably. This should be seen as a temporary measure, designed in part to preserve cash in a time of market uncertainty. However, it is now the Company's intention that, subject to the sufficiency of cash resources and any market constraints, share buy-backs will revert to taking place at a discount of around 10 per cent. to the prevailing net asset value.

As disclosed by the Chairman in the Annual Report and Financial Statements announced on 1 June 2010, the Company has restricted the cash available for share buy-backs to up to £200,000 for the six months to 30 September 2010. In the period from 1 April 2010 to 5 August 2010, the Company re-purchased 164,881 shares at an average price of 56.7 pence per share. The shares re-purchased represent 0.8 per cent. of the total number of voting rights in the Company as at 5 August 2010. Following the buybacks mentioned above, the Company now has approximately £106,000 allocated for buy-backs until 30 September 2010, at which point the Board will review the policy on buy-backs.

All the shares bought back in the period were cancelled. The closing mid market price for the shares as at 30 June 2010 was 60.0 pence per share, resulting in a 16 per cent. discount to the net asset value of 71.0 pence per share. The narrowing of the discount to net asset value is in line with the Board's longer term target to achieve a discount of between 10 to 15 per cent. to net asset value.

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