

Issued 1 November 2010

Key Facts

Manager

Albion Ventures LLP

Launch date

Ordinary shares – 1996

C shares – 1997 (merged with Ordinary shares in March 2001)

Albion VCTs Linked Top Up Offer

(Ordinary shares) 1 November 2010

Share classes

Ordinary shares

Approximate date of dividend payments

July & December

Current dividend target

Ordinary shares 5p per share per year

LSE mnemonic

AAVC

Directors

David Watkins (Chairman)

John Kerr (Chairman of the Audit Committee)

Jeffrey Warren

Jonathan Rounce

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 asset-backed businesses. The Company's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term.

This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- Albion Venture Capital Trust PLC invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the investee company. Funds managed or advised by Albion Ventures LLP typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Albion Ventures LLP, investee companies do not normally have external borrowings; and
- a clear strategy for the realisation of each qualifying unquoted investment within five years or shortly thereafter is identified from the outset.

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 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 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 any investee company.

'Qualifying holdings' for Albion Venture Capital Trust 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.

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 permitted exposure was £2,840,000 (2009: £2,987,000) 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 may be terminated by either party on 12 months' notice and is 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 Manager is paid an annual fee equal to 2 per cent. of the net asset value of the Company and an annual secretarial and administrative fee of £39,955 plus VAT (2009: £39,435 plus VAT) increased annually by RPI. These fees are payable quarterly in arrears. Total annual expenses, including the management fee, are limited to 3.5 per cent. Of the net asset value with effect from 1 January 2010. 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. Under the incentive arrangement, the Company will pay an incentive fee to the Manager of an amount equal to 8 per cent. of the excess total return above 5 per cent. per annum, paid out annually in cash as an addition to the management fee. Any shortfall of the target return will be carried forward into subsequent periods and the incentive fee will only be paid once all previous and current target returns have been met.

Share buy-back policy (as announced in annual report to 31 March 2010 and the Interim Management Statement announced 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 buybacks 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 £139,000. 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 majority of the Company's life, its shares have traded at a discount of around 10 per cent. or less to net asset value. In the more recent past, the financial upheavals surrounding the credit crunch have caused this discount to considerably widen. The apparent improving economic climate today may lead to reduced selling pressure and increasing net asset values, which, together with the company's buyback programme, could lead to an improvement in the discount at which the shares trade.

During the period from 1 April 2010 to 5 August 2010, the Company purchased 279,000 shares at an average of 67.9 pence per share. These shares will be held in treasury. The Board has allocated £200,000 for share buybacks for the 6 months to 30 September 2010. Following the buybacks mentioned above, as at 5 August 2010 the Company has approximately £10,000 allocated for buy-backs until 30 September 2010, at which point the Board will review the policy on buybacks again.

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