Albion Ventures

Albion Development VCT PLC

Fund factsheet

Issued 20th May 2015

Key Facts

Manager
Albion Ventures LLP

Launch date
Ordinary shares – December 1998
C shares – October 2002 (merged with Ordinary shares in March 2007 in a ratio of 1.0715 : 1)
D shares - October 2009 (converted to Ordinary shares in March 2015 at a ratio of 1.4975:1)

Share classes
Ordinary shares

Approximate date of dividend payments
May & September

Current dividend target
Ordinary shares 5p per share per year

LSE mnemonic
AADV

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

Investment strategy

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 portfolio 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 portfolio 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 high credit ratings assigned by international credit rating agencies.

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 through-out the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 the figure is 70 per cent.;
(4) At the time of investment, or addition to an investment, the Company's holdings in any one company (other than another VCT) must not 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; and
(6) The Company's shares, throughout the year, must have been listed in a regulated European market.

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 a portfolio company.

The gross assets of a portfolio company must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter.

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

ALBION VENTURES

Albion Development VCT PLC
Fund factsheet

Issued 20th May 2015

Key Facts

Manager
Albion Ventures LLP

Launch date
Ordinary shares – December 1998
C shares – October 2002 (merged with Ordinary shares in March 2007 in a ratio of 1.0715 : 1)
D shares - October 2009 (converted to Ordinary shares in March 2015 at a ratio of 1.4975:1)

Share classes
Ordinary shares

Approximate date of dividend payments
May & September

Current dividend target
Ordinary shares 5p per share per year

LSE mnemonic
AADV

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

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. 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. The Management Agreement 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 2.25 per cent. of the net asset value of the Company. The fee is payable quarterly in arrears.

Under the terms of the management agreement, total annual expenses including the management fee, are limited to 3.0 per cent. of the net asset value.

In line with common practice, the Manager is also entitled to an arrangement fee, payable by each portfolio company, of approximately 2 per cent. on each investment made, plus fees payable by portfolio companies for providing non-executive directors to those companies.

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. Following the merger of D shares into Ordinary shares on 31 March 2015, the management performance incentive will be measured on the proportion of the net asset values on merger (80% Ordinary and 20% D share) and measured against the total return applicable for each share class. As at 31 December 2014, the Ordinary shares' hurdle rate was 180.2 pence per share, and 130.9 pence per share for D shares.

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

The Board's policy is to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's best interest, including the maintenance of sufficient resources for the investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention that, subject to the sufficiency of cash resources and any market constraints, share buy-backs to be in the region of 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.