ALBION VENTURES

Albion Technology & General VCT PLC
Fund factsheet

Issued 20th May 2015

Key Facts

Manager
Albion Ventures LLP

Launch date
Ordinary shares December 2000
C shares November 2005
Albion Income & Growth VCT PLC
March 2005

Share classes
Ordinary shares
(C shares merged with Ordinary shares on 31 March 2011 at a ratio of 0.7779 : 1)
(Albion Income & Growth VCT PLC shares merged with Ordinary shares on 15 November 2013 at a ratio of 0.7813:1)

Approximate date of dividend payments
February, April, June and October

Current dividend target
Ordinary shares 5p per share per year

LSE mnemonic
AATG

Directors
Dr. Neil Cross (Chairman)
Robin Archibald (Chairman of the Audit Committee)
Mary Anne Cordeiro
Modwenna Rees Mogg
Patrick Reeve

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 longer term capital growth through allowing investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. It is intended that, in time, the Company's investment portfolio will be split approximately as follows:

- 40 per cent. in unquoted UK technology related companies; and
- 60 per cent. in unquoted UK non-technology companies.

This split is subject to the availability of quality new investment opportunities arising within the UK technology and non-technology sectors. In neither of the categories listed above would portfolio companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of investments (by cost) will comprise loan stock secured with a first charge on the investee company's assets.

The Company pursues a longer term investment approach, with a view to providing shareholders with a strong, predictable dividend flow combined with the prospects of capital growth. This is achieved in two ways. First, controlling the VCT's exposure to technology risk by ensuring that many of the companies in the non-technology portfolio have property as their major asset, with no external borrowings. Second, by balancing the Investment portfolio by sector, so that those areas such as leisure and business services, which are susceptible to changes in consumer sentiment, are complemented by sectors with more predictable long term characteristics, such as healthcare and the environment.

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'. 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;
(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 portfolio company.

'Qualifying holdings' for Albion Technology & General 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. 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 portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture.

Portfolio company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. No Company may receive more than £5 million in aggregate from all state-aided providers of risk capital, including VCTs, in the 12 month period up to and including the most recent such investment.

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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 capital and reserves. 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. 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 2.5 per cent. of the net asset value of the Company, payable quarterly in arrears. The Manager also provides secretarial and administrative services to the Company.

Total normal annual running costs, 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. of each investment made and Directors' fees where the Investment Manager has a representative on the portfolio company's board.

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, if the net asset value per share at the end of a financial period, when added to the aggregate dividends per share (both revenue and capital) paid to that date, exceeds £1 increased at the rate of 8 per cent. per annum since the Company's commencement of trading, then the Manager will be entitled to an incentive fee equal to 20 per cent. of such excess. The calculation is made separately for each class of share. In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods.

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 interests. This includes the maintenance of sufficient resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention for such buy-backs to be in the region of 5 per cent. discount to net asset value, so far as market conditions and liquidity permit. On occasion the Company limits the amounts available for buy-backs and this is stated in the Chairman's Statement of the most recent Annual Report and Financial Statements and Half-Yearly Report.