ALBION VENTURES

Albion Enterprise VCT PLC
Fund factsheet

Issued 20th May 2015

Key Facts

Manager
Albion Ventures LLP

Launch date
December 2006 with a further issue of Ordinary shares launched in November 2007

Share classes
Ordinary shares

Company Year End
31 March

Approximate date of dividend payments
February & August

Current dividend target
Ordinary shares 5p per share per year

LSE mnemonic
AAEV

Directors
Maxwell Packe (Chairman)
Lord Anthony St. John of Bletso
(Chairman of the Audit Committee)
Lady Janet Balfour of Burleigh
Patrick Reeve

Investment Strategy

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. The Company intends to achieve this by investing up to 50 per cent. of the net funds raised in an asset-based portfolio of more stable, ungeared businesses (the "Asset-backed Portfolio").

The balance of the net funds raised, other than funds retained for liquidity purposes, are invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These range from more stable, income producing businesses to higher risk technology companies (the "Growth Portfolio"). In neither category do portfolio companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the portfolio company's assets.

Funds awaiting investment in Qualifying Investments or retained for liquidity purposes will be held on deposit or invested in floating rate notes with banks or other financial institutions with high credit ratings assigned by international credit ratings agencies.

The Company's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term. The Asset-backed Portfolio is designed to provide stability and income whilst still maintaining the potential for capital growth. The Growth Portfolio is intended to provide diversified exposure through its portfolio of investments in unquoted UK companies. Stock specific risk will be reduced by the Company's policy of holding a diversified portfolio of Qualifying Investments.

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 legisla-tion, 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 on a regulated European market.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in one portfolio company.

'Qualifying holdings', for Albion Enterprise 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 share capital and reserves. The Directors do not currently have any intention to utilise long term gearing.

Management agreement
Under the Management Agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management Agreement can be terminated by 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.

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 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, the Company will pay an incentive fee to the Manager of an amount equal to 20 per cent. of the excess return that is calculated for each financial year.

The minimum target level, comprising dividends and net asset value, will be equivalent to an annualised rate of return of the average base rate of the Royal Bank of Scotland plc plus 2 per cent. per annum on the original subscription price of £1. 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. The fee, if applicable, will be paid annually.

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. 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 a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.