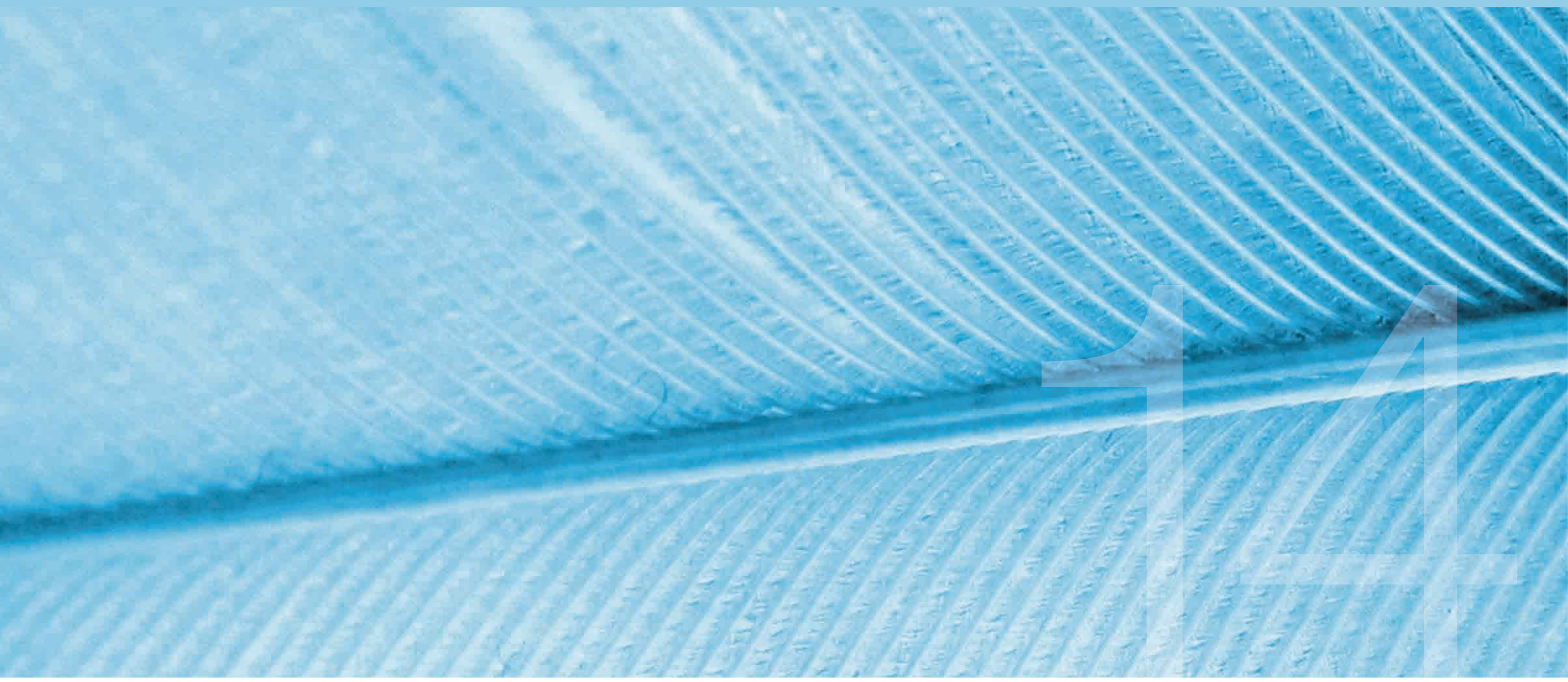
Annual Report and Financial Statements for the year ended 31 December 2014



Kings Arms Yard VCT PLC

ALBION VENTURES

Contents

Company information

Company Number	03139019
Directors	R A Field, Chairman T W Chambers M G Fiennes
Manager, company secretary, AIFM and registered office	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	Robertson Hare LLP 1st Floor 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP

Kings Arms Yard VCT PLC is a member of The Association of Investment Companies (www.theaic.co.uk).

Shareholder information

For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:
Tel: 0870 873 5858 (UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls may be recorded).
Website: www.investorcentre.co.uk

Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.

Financial adviser information

For enquiries relating to the performance of the Company, and information for financial advisers, please contact Albion Ventures LLP:
Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri; calls may be recorded)
Email: info@albion-ventures.co.uk
Website: www.albion-ventures.co.uk

Please note that these contacts are unable to provide financial or taxation advice.

Investment objectives

The Company is a Venture Capital Trust. The investment policy is intended to produce a regular and predictable dividend stream with an appreciation in capital value as set out below.

- The Company intends to achieve its strategy by adopting an investment policy for new investments which over time will rebalance the portfolio such that approximately 50 per cent. of the portfolio comprises an asset-backed portfolio of more stable, ungeared businesses, principally operating in the healthcare, environmental and leisure sectors (the "Asset-Backed Portfolio"). The balance of the portfolio, other than funds retained for liquidity purposes, will be invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These will range from more stable, income producing businesses to a limited number of higher risk technology companies (the "Growth Portfolio").

- 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.

- 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 highly diversified exposure through its portfolio of investments in unquoted UK companies.

- 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.

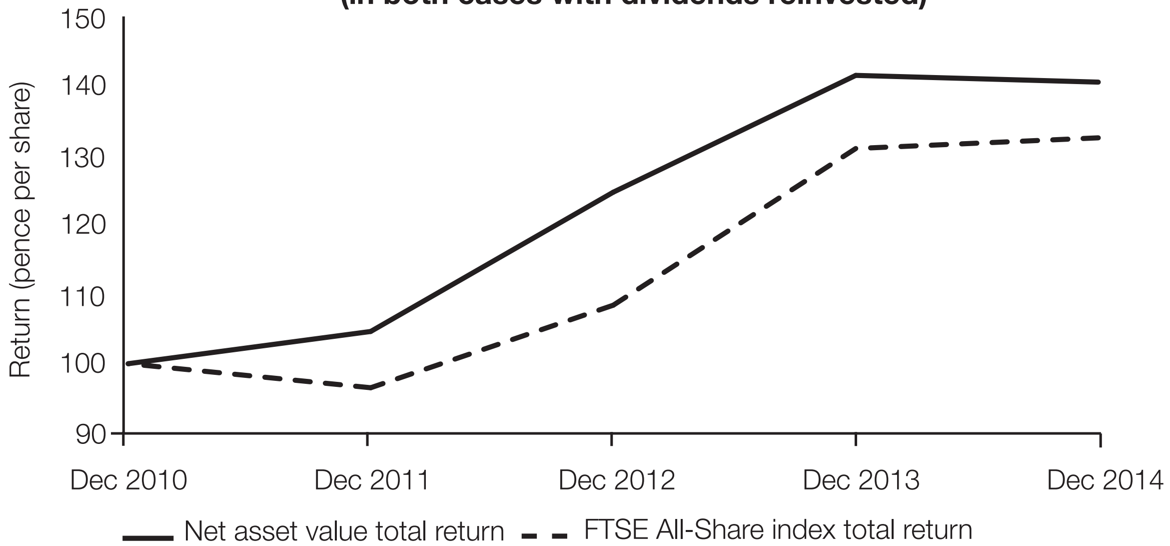
Financial calendar

Record date for first dividend	10 April 2015
Payment date of first dividend	30 April 2015
Annual General Meeting	14 May 2015
Announcement of half-yearly results for the six months ending 30 June 2015	August 2015
Payment date of second dividend (subject to Board approval)	30 October 2015

Financial highlights

19.31p	Net asset value per share as at 31 December 2014.
18.00p	Mid-market share price as at 31 December 2014.
1.0p	Total tax free dividends per share paid in the year to 31 December 2014.
0.5p	First tax free dividend per share declared for the year to 31 December 2015 payable on 30 April 2015.
5.6%	Tax free yield on share price (dividend per annum/share price as at 31 December 2014).

Net asset value total return relative to FTSE All-Share Index total return from appointment of Albion Ventures LLP on 1 January 2011 to 31 December 2014 (in both cases with dividends reinvested)



Source: Albion Ventures LLP

Methodology: The net asset value total return to the shareholder, including original amount invested (rebased to 100), assuming that dividends were reinvested at the net asset value of the Company at the time when the shares were quoted ex-dividend. Tax reliefs and transaction costs are not taken into account.

Financial highlights (continued)

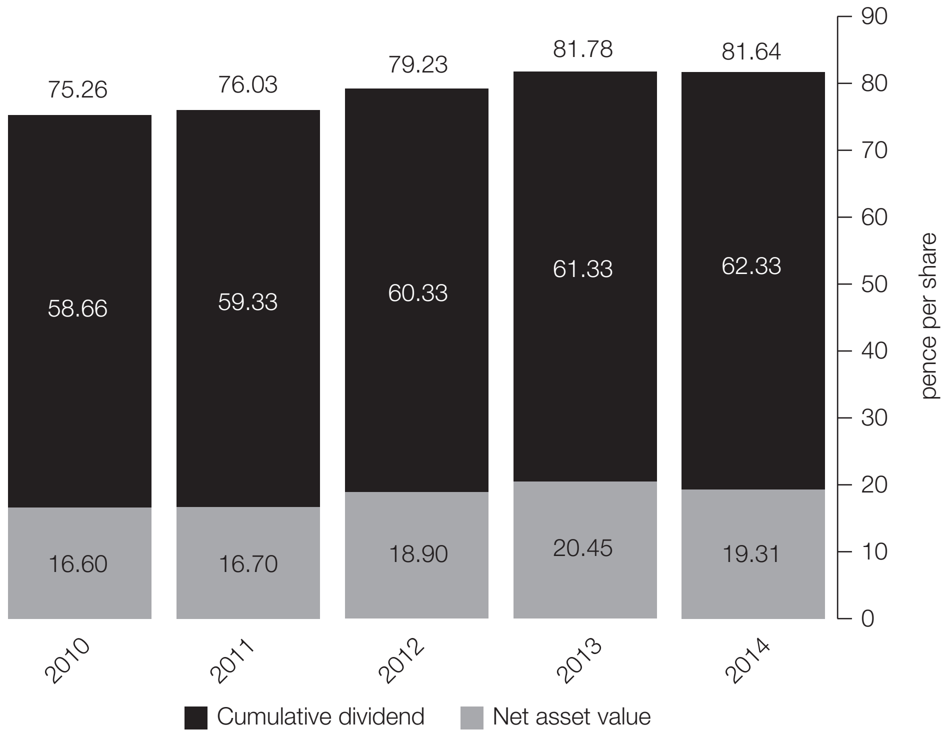
	31 December 2014 (pence per share)	31 December 2013 (pence per share)
Dividends paid	**1.00**	1.00
Revenue return	**0.27**	0.58
Capital (loss)/return	**(0.43)**	1.77
Net asset value enhancement as a result of share buy-backs	**0.02**	0.20
Net asset value	**19.31**	20.45

Shareholder net asset value total return	From launch to 31 December 2010 (pence per share)	1 January 2011 to 31 December 2014 (pence per share)	From launch to 31 December 2014 (pence per share)
Subscription price per share at launch	100.00	–	100.00
Dividends paid	58.66	3.67	62.33
(Decrease)/increase in shareholder net asset value	(83.40)	2.71	(80.69)
Shareholder net asset value total return	75.26	6.38	81.64

Current annual dividend objective (pence per share)	**1.00**

The Directors have declared a first dividend of 0.5 pence per share for the year ending 31 December 2015, which will be paid on 30 April 2015 to shareholders on the register as at 10 April 2015.

Net asset value total return
Kings Arms Yard VCT PLC



Source: Albion Ventures LLP

The bar chart shows the aggregate of net asset value and cumulative dividends paid to date for Kings Arms Yard VCT PLC.

The above financial summary is for the Company, Kings Arms Yard VCT PLC only. Details of the financial performance of the various Quester, SPARK and Kings Arms Yard VCT 2 PLC companies, which have been merged into the Company, can be found on page 60.

Chairman's statement

Introduction

2014 saw a continuation in the rebalancing of the Company's portfolio, with £8.2 million of new investments and a further £3.2 million received from the sales of older investments. Approximately one third of net asset value is now represented by income producing, asset-backed investments. This has meant that, although the decline in the value of one quoted and one unquoted investment led to a small overall negative return of 0.16p per share, regular income from new, particularly asset backed, investments is now covering the VCT's costs. Therefore, although I am disappointed with the results for the year, I note that it is not unexpected for a venture capital portfolio to experience volatility and that the total return per share for the three years ended 31 December 2014 exceeds 34%.

Results

Net asset value per share reduced from 20.45p on 31 December 2013 to 19.31p on 31 December 2014 after allowing for the payment of dividends totalling 1 penny per share during the year.

The Company recorded a negative return of £0.3 million for the year to 31 December 2014, driven primarily by a decline in the share price of Oxford Immunotec since the company listed on NASDAQ in November 2013, and slower progress than hoped for at Elateral. Against this, there was strong performance from our renewable energy businesses, which as well as being cash generative, benefitted from an increase in third party professional valuations of £0.6 million. In addition, strong progress at Cluster Seven and Proveca both resulted in material increases in value.

During 2014, £8.2 million was invested into unquoted companies, predominantly in the healthcare and technology sectors, including £1.0 million into renewable energy projects, £3.0 million into freehold care homes, £0.2 million into a freehold hospital and £4.0 million into the high growth portfolio. Further information on all new investments is contained in the Strategic report. The main exit in the year was the long-standing investment in Atego which realised £2.8 million (including the amounts held in escrow). This is a strong result, given the investment had been written down to c.5% of cost in June 2010 prior to Albion's appointment.

Following another year of active new investment, cash and liquid assets at the year-end fell to £0.8 million (2013: £5.0 million).

Dividend

We are pleased to declare a first dividend of 0.5p per share to be paid on 30 April 2015 to shareholders on the register on 10 April 2015 and anticipate that a second dividend will be paid later in the year in line with our current dividend target of 1 penny per share.

VCT qualifying status

As at 31 December 2014, 87% of total investments were in qualifying holdings. The Board continues to monitor this position very carefully in order to ensure that qualifying investments comfortably exceed the minimum threshold of 70% required for the Company to continue to benefit from VCT tax status.

Albion VCTs Prospectus Top Up Offers 2014/2015

On 17 November 2014, the Company announced it was seeking to raise £6 million as part of the Albion VCTs Prospectus Top Up Offers. The Company has raised £1.1 million under this fundraising as at the date of this report, with a further allotment due on 2 April 2015.

Details of the offers are set out in a Prospectus (comprising a Securities Note, Registration Document and Summary) which has been sent to shareholders and these can be downloaded from www.albion-ventures.co.uk.

Discount management and share buy-backs

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 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% discount to net asset value, so far as market conditions and liquidity permit. During 2014, the Company purchased 8,129,000 Ordinary shares of which 6,995,000 are held in treasury and 1,134,000 were cancelled. Further information is shown in note 14. These shares were bought at a discount resulting in a 0.02p uplift in net asset value per share for continuing shareholders. The Company intends to limit the sum available for share buy-backs for the six month period to 30 June 2015 to £750,000.

Transactions with the Manager

Details of transactions that took place with the Manager during the year can be found in note 4 and principally relate to the management fee.

Performance incentive fee

No performance fee is due for the year ended 31 December 2014 as the total return is below the hurdle.

Further details can be found in the Strategic report on page 12.

Chairman's statement (continued)

Annual General Meeting

The Annual General Meeting of the Company will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 11.00am on 14 May 2015. Full details of the business to be conducted at the Annual General Meeting are given in the Notice of the Meeting on page 55.

The Board welcomes your attendance at the meeting as it gives an opportunity for shareholders to ask questions of the Board and Investment Manager. If you are unable to attend the Annual General Meeting in person, we would encourage you to make use of your proxy votes.

Continuation as Venture Capital Trust

At the 2015 Annual General Meeting members will have the opportunity to confirm that they wish the Company to continue as a Venture Capital Trust. If this resolution is not passed the Board is required to make proposals for the reorganisation, reconstruction or the orderly liquidation and winding up of the Company and present these to the members at a general meeting. Those shareholders who have deferred a capital gain by investing in the VCT should note that, on a return of capital, that gain would become chargeable at the prevailing rate of capital gains tax.

Your Board believes that Kings Arms Yard VCT PLC has the potential to be a highly effective long-term savings vehicle, with strong tax-free dividend streams. Therefore the Board recommends that shareholders should vote in favour of the Company continuing as a Venture Capital Trust for a further five years, as they intend to vote in respect of their own shares.

Risks and uncertainties

The outlook for the UK economy continues to be the key risk affecting your Company. The Company's investment risk is mitigated through a variety of processes, including our policy of ensuring that the Company has a first charge over portfolio companies' assets wherever possible.

A detailed analysis of the other risks and uncertainties facing the business is shown in the Strategic report on pages 13 and 14.

Outlook and prospects

Total return per share has exceeded 34% over the last three years and the proportion of asset backed, income producing investments now represents approximately 32% of net asset value as a result of the investment strategy instigated by the Board and implemented by the new Manager. We are encouraged by the continuing transformation of the portfolio and despite the small negative return in the year, we are positive about the Company's prospects and continue to expect the portfolio to benefit from the improving economic conditions and confidence.

Robin Field
Chairman
27 March 2015

Strategic report

Investment objective and policy
The Company is a Venture Capital Trust. The investment policy is intended to produce a regular and predictable dividend stream with an appreciation in capital value as set out below.

The Company intends to achieve its strategy by adopting an investment policy for new investments which over time will rebalance the portfolio such that approximately 50 per cent. of the portfolio comprises an asset-backed portfolio of more stable, ungeared businesses, principally operating in the healthcare, environmental and leisure sectors (the "Asset-Backed Portfolio"). The balance of the portfolio, other than funds retained for liquidity purposes, will be invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These will range from more stable, income producing businesses to a limited number of higher risk technology companies (the "Growth Portfolio").

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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.

Review of business and future changes
A detailed review of the Company's business during the year and future prospects is contained in the Chairman's statement on pages 6 and 7.

One of the key aims of the Manager has been to increase the income generated by the investment portfolio to the extent that it more than covers the investment management and other charges. This has now been achieved, with total income for 2014 of £1.12 million against total costs of £1.07 million. This is equivalent to a gross yield of 2.5% on the average net asset value for the year. As the asset based portfolio increases in the current year, we would expect the Company's income to grow accordingly.

As outlined below, the Company has recorded its first annual capital loss since Albion Ventures took over management in January 2011. Although the majority of the portfolio companies performed well during the year and increased in value, the two largest investments offset these gains. A decrease in the share price of Oxford Immunotec Global PLC, which is listed on NASDAQ, led to its value decreasing by £1,138,000 during the year, while Elateral Group Holdings Limited saw a reduction in value of £943,000 due to slower than expected growth.

On a more positive note, the renewable energy portion of the portfolio performed particularly well, with an increase in valuations of £581,000, and at the same time the Company has reached its target holding of 20% in renewable energy investments.

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year. The Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to providing both capital growth and a reliable dividend income to shareholders over the longer term.

Details of significant events which have occurred since the end of the financial year are listed in note 20. Details of transactions with the Manager are shown in note 4.

Results and dividends

	£'000
Net revenue return for the year	535
Realised and unrealised capital loss for the year	(859)
Dividend of 0.5 pence per share paid on 30 April 2014	(1,017)
Dividend of 0.5 pence per share paid on 31 October 2014	(1,014)
Unclaimed dividends returned to the Company	6
Transferred from reserves	**(2,349)**
Net assets as at 31 December 2014	38,941
Net asset value per share as at 31 December 2014 (pence)	**19.31**

The Company paid a dividend of 1 penny per share during the year ended 31 December 2014 (2013: 1 penny per share). The Directors have declared a first dividend of 0.5 pence per share for the year ending 31 December 2015, which will be paid on 30 April 2015 to shareholders on the register at 10 April 2015.

It is the Company's policy to maintain a sustainable, predictable dividend policy with the current level of annual pay-out set at the time that Albion Ventures took over as

Strategic report (continued)

Manager at 1 penny per share. It is disappointing that the dividend for 2014 was not covered by the total return for the year. Nevertheless, it was covered 3.1 times in 2012 and 2.35 times in 2013, and we are confident that over the medium term it will continue to be covered.

As shown in the Income statement on page 36 of the Financial Statements, investment income has decreased to £1,119,000 (2013: £1,624,000). The decrease is as a result of a one-off distribution from Antenova Limited in the prior year of £797,000 following the disposal of its main business. Excluding one-off distributions, investment income has increased by £180,000 (22%) during the year.

As a result of the prior year Antenova Limited dividend, the revenue return to equity holders has also decreased to £535,000 (2013: £1,147,000). Adjusting for this dividend, revenue return to equity holders has increased by £185,000. General expenses decreased slightly during the year to £270,000 (2013: £289,000).

The capital loss for the year was £859,000 (2013: gain of £3,509,000). A portion of management fees also continued to be allocated to capital.

The total loss was 0.16 pence per share (2013: return of 2.35 pence per share).

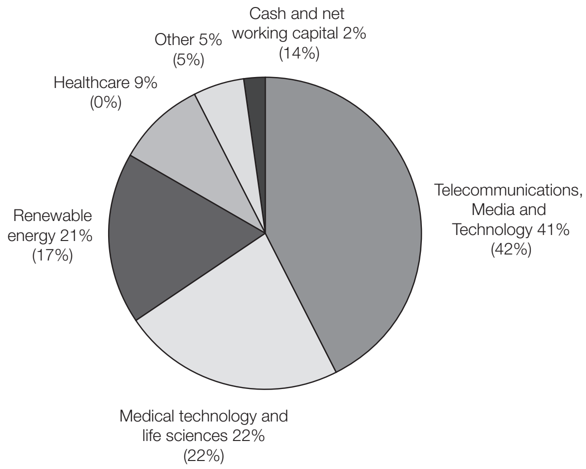
The Balance sheet on page 37 of the Financial Statements shows that the net asset value has decreased over the last year to 19.31 pence per share (2013: 20.45 pence per share) which is due to the payment of 1 penny per share of dividends during the year and the small loss for the year as noted above.

There has been a net cash outflow for the year, due mainly to the purchase of new investments, the payment of dividends and buy-back of shares, offset by the net cash inflow from operating activities and disposal of fixed asset investments.

Current portfolio sector allocation

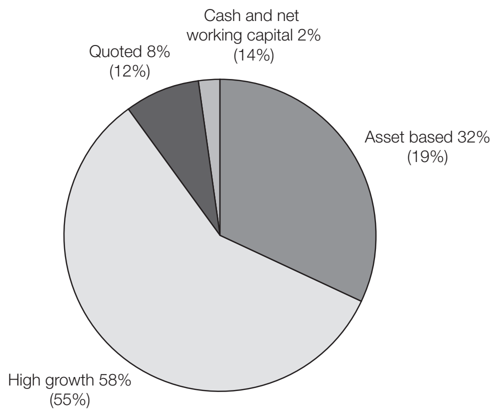
The following two pie charts outline firstly the different sectors in which the Company's assets, at carrying value, are currently invested, and secondly, delineates between those investments, at carrying value, by asset class.

Distribution of net assets at carrying value, by sector as at 31 December 2014



Comparatives for 31 December 2013 are shown in brackets
Source: Albion Ventures LLP

Distribution of net assets, at carrying value, for asset based and growth portfolio investments as at 31 December 2014



Comparatives for 31 December 2013 are shown in brackets
Source: Albion Ventures LLP

Direction of portfolio

The sector analysis of the Company's investment portfolio shows that the Company has made its first investments into care homes, which enlarges the broader exposure to the Healthcare sector such that it now accounts for 9% of the portfolio after making investments in Active Lives Care and Ryefield Court Care. These portfolio companies will own and operate a residential care home for the elderly in Oxford and Greater London respectively. We anticipate the Healthcare sector increasing in importance in the current period, as it is an area that the Manager has targeted for value creation and a good potential source of recurring income.

Strategic report (continued)

The Company has also reached its target percentage for the renewable energy sector, which now accounts for 21% of net assets (19% by cost) compared to 17% at the end of the previous financial year.

Future prospects

The Company's performance record reflects the success of the strategy outlined above and has enabled the Company to maintain a predictable stream of dividend payments to shareholders. The Board believes that this model will continue to meet the investment objective and has the potential to continue to deliver attractive returns to shareholders and that a number of investments in the growth portfolio, both old and new, have strong prospects. Further details on the Company's outlook and prospects can be found in the Chairman's statement on page 7.

Key performance indicators

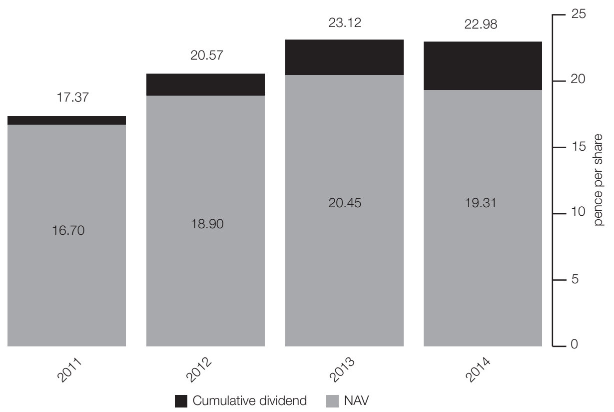
The Directors believe that the following key performance indicators, which are typical for venture capital trusts, used in its own assessment of the Company, will provide shareholders with sufficient information to assess how effectively the Company is applying its investment policy to meet its objectives. The Directors are satisfied that the results shown in the following key performance indicators give a good indication that the Company is achieving its investment objective and policy. These are:

1. *Net asset value total return relative to FTSE All-Share Index total return*

The graph on page 4 shows the Company's net asset value total return against the FTSE All-Share Index total return, with dividends reinvested, from the appointment of Albion Ventures LLP on 1 January 2011. Details on the performance of the net asset value and return per share for the year are given on pages 8 and 9.

2. *Net asset value per share and cumulative net asset value total shareholder return*

Net asset value per Share and cumulative NAV total Shareholder return*

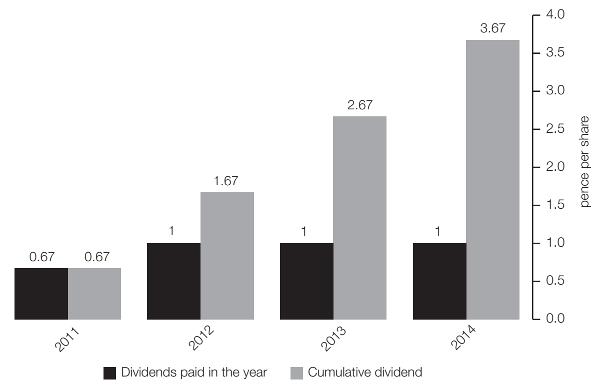


** Cumulative net asset value total shareholder return is net asset value plus cumulative dividends paid since 1 January 2011 to date.*

Cumulative net asset value total return to shareholders decreased by 0.17% to 81.64 pence for the year ended 31 December 2014.

3. *Dividend distributions*

Dividends paid



Dividends paid in respect of the year ended 31 December 2014 were 1 penny per share (2013: 1 penny per share), in line with the Board's dividend objective. The cumulative dividend paid since inception is 62.33 pence per share.

4. *Ongoing charges*

The ongoing charges ratio for the year to 31 December 2014 was 2.7% (2013: 2.7%). The ongoing charges ratio has been calculated using The Association of Investment Companies ("AIC") recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the next year to be approximately 2.7%.

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on pages 21 and 22.

As part of the Government's wider review of the VCT regime, new rules have been introduced under the Finance Act 2014, which include:

- allowing investors to subscribe for shares via nominee accounts;
- restricting individuals' entitlement to VCT income tax relief where investments have been made within six months of a disposal of shares in the same VCT; and

Strategic report (continued)

- preventing VCTs from returning capital that does not relate to profits on investments within three years of the end of the accounting period in which shares were issued to investors.

The Directors do not believe that updates to the Finance Act would create a material change in the way the Company is currently run.

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 December 2014. These showed that the Company has compiled with all tests and continues to do so.

Investment progress

During the year, there was a very active period of new investment, with a total of £8.2 million invested in new and existing portfolio companies. We continued to bias new investment activity towards asset-backed opportunities with the potential to produce a strong level of income, whilst still investing in companies providing the potential for significant capital growth. A total of £1.0 million was invested during the year into the renewable energy sector; £3.0 million into care homes; £0.2 million into a freehold hospital; and a further £4.0 million in companies offering the potential of high growth.

Cash and liquid assets at the year end fell to £798,000 (2013: £5.0 million), representing 2% of net asset value.

New investments were made in 9 companies and totalled £5.1 million during the year and included: two care home projects – Active Lives Care Limited (£1,912,000) and Ryefield Court Care Limited (£1,054,000); one psychiatric hospital – Orchard Portman Group (£175,000); a wind project – Infinite Ventures (Goathill) Limited (£112,000); one medical investment – Mirada Medical Limited (£190,000); and four technology investments – Egress Software Technologies Limited (£430,000), Omprompt Limited (£900,000), Grapeshot Limited (£280,000) and Sandcroft Avenue Limited (£84,000).

Follow-on investments were made in 13 portfolio companies and totalled £3.1 million during the year. The three largest follow-on investments were £1 million into Elateral Group Holdings Limited; and £573,000 into Chonais Holdings Limited and £330,000 in Green Highland Renewables (Ledgowan) Limited, to complete the development of two new hydroelectricity plants in Scotland.

During the year Atego was disposed of, realising proceeds of £2.75 million and a gain on cost of £1.8 million. The Company also sold 26,640 Oxford Immnotec Global shares with proceeds of £227,000 and a realised gain of £124,000 on cost.

The policy of increasing the income generating capacity of the Company continues to bear fruit. The Company received £892,000 of loan stock income during the year, representing a rise of over 55% on the £574,000 income received from the portfolio during the previous year.

The pie chart in the Strategic report on page 9 outlines the different sectors in which the Company's assets, at carrying value, are currently invested.

Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to the amount equal to the adjusted capital and reserves, being £37,905,000 (2013: £38,276,000). As at 31 December 2014, the Company's actual short term and long term gearing was £nil (2013: £nil). The Directors do not currently have any intention to utilise long term gearing.

Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Conduct Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company.

Management agreement

Under the Management agreement, Albion Ventures LLP provides investment management, company secretarial and administrative services to the Company. Albion Ventures LLP is entitled to an annual management fee of 2% of net asset value of the Company, payable quarterly in arrears, along with an annual administration fee of £50,000.

Under the terms of the Management agreement, the aggregate payable for management and administration (normal running costs) are subject to an aggregate annual cap of 3% of the year end closing net asset value, for accounting periods commencing after 31 December 2011.

The Management agreement can 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.

In line with common practice, the Manager is entitled to arrangement fees payable by portfolio companies (up to a maximum of 2% of the amount invested) and to fees charged for the monitoring of investments (up to a maximum of £20,000 per company per annum).

Strategic report (continued)

Performance incentive fee
In order to provide the Manager with an incentive to maximise the return to investors, the Manager is entitled to charge an incentive fee in the event that the returns exceed minimum target levels.

The performance hurdle is equal to the greater of the Starting NAV of 20 pence per share, increased by the increase in RPI plus 2 per cent per annum from the Start Date of 1 January 2014 (calculated on a simple and not compound basis) and the highest Total Return for any earlier period after the Start Date (the 'high watermark'). An annual fee (in respect of each share in issue) of an amount equal to 15 per cent. of any excess of the Total Return (this being NAV per share plus dividends paid after the Start Date) as at the end of the relevant accounting period over the performance hurdle will be due to the Manager.

There was no management performance incentive fee payable during the year (2013: nil). As at 31 December 2014 the cumulative shortfall of the target return was 0.90 pence per share and this amount needs to be made up in the next accounting period before an incentive fee becomes payable.

Evaluation of the Manager
The Board has evaluated the performance of the Manager based on the returns generated by the Company from the management and sale of existing investments, the continuing achievement of the 70% investment requirement for Venture Capital Trust status, the making of new investments in accordance with the investment policy, the long term prospects of current investments, a review of the Management agreement and the services provided therein and benchmarking the performance of the Manager to other service providers.

The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Alternative Investment Fund Managers Directive ("AIFMD")
The Board has considered the impact on your Company of the AIFMD, an EU Directive that came into force in July 2013 to regulate the Managers of Alternative Investment Funds. The Board appointed Albion Ventures LLP as the Company's AIFM as required by the AIFMD. Albion Ventures LLP's registration as an AIFM was approved by the Financial Conduct Authority on 3 June 2014.

Discount management and share buy-back policy
It remains the Board's primary objective to maintain sufficient resources for investment in existing and new portfolio companies and for the continued payment of dividends to shareholders. 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 interest.

It is the Board's intention for such buy-backs to be in the region of a 5% discount to net asset value, so far as market conditions and liquidity permit.

Further details of shares bought back during the year ended 31 December 2014 can be found in note 14 of the Financial Statements.

Social and community issues, employees and human rights
The Board recognises the requirement under section 414c of the Companies Act 2006 (the "Act") to detail information about social and community issues, employees and human rights; including any policies it has in relation to these matters and effectiveness of these policies. As an externally managed investment company with no employees, the Company has no policies in these matters and as such these requirements do not apply.

Further policies
The Company has adopted a number of further policies relating to:

- Environment
- Global greenhouse gas emissions
- Anti-bribery
- Diversity

and these are set out in the Directors' report on page 22.

Strategic report (continued)

Risk management

The Board carries out a regular review of the risk environment in which the Company operates. The principal risks and uncertainties of the Company as identified by the Board and how they are managed are as follows:

Risk	Possible consequence	Risk management
Economic risk	Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and other factors could substantially and adversely affect the Company's prospects in a number of ways.	To reduce this risk, in addition to investing equity in portfolio companies, the Company often invests in secured loan stock and has a policy of not normally permitting any external bank borrowings within portfolio companies. Additionally, the Manager has been rebalancing the sector exposure of the portfolio with a view to reducing reliance on consumer led sectors.
Investment risk	This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses. The success of investments in certain sectors is also subject to regulatory risk, such as those affecting companies involved in UK renewable energy.	To reduce this risk, the Board places reliance upon the skills and expertise of the Manager in investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites, and takes account of, comments from non-executive Directors of the Company on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings. It is the policy of the Company for portfolio companies to not normally have external borrowings. The Board and the Manager closely monitor regulatory changes in the sectors in which the Company is invested.
Valuation risk	The Company's investment valuation methodology is reliant on the accuracy and completeness of information that is issued by portfolio companies. In particular, the Directors may not be aware of or take into account certain events or circumstances which occur after the information issued by such companies is reported.	As described in note 1 of the Financial Statements, the unquoted equity investments, loan stock, convertible loan stock and debt issued at a discount held by the Company are designated at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. These investments are valued on the basis of forward looking estimates and judgments about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgments the valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. The values of a number of investments are also underpinned by independent third party professional valuations.
VCT approval risk	The Company's current approval as a venture capital trust allows investors to take advantage of tax reliefs on initial investment and ongoing tax free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the tax relief on initial investment and loss of tax relief on any tax-free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.	To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Robertson Hare LLP as its taxation adviser. Robertson Hare LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a new portfolio company is also pre-cleared with H.M. Revenue & Customs.

Strategic report (continued)

Risk	Possible consequence	Risk management
Compliance risk	The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.	The Board members and the Manager have experience of operating at senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its Auditor, lawyers and other professional bodies.
Internal control risk	Failures in key controls, within the Board or within the Manager's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.	The Audit Committee meets with the Manager's Internal Auditor, PKF Littlejohn LLP, when required, receiving a report regarding the last formal internal audit performed on the Manager and providing the opportunity for the Audit Committee to ask specific and detailed questions. Thomas Chambers, Chairman of the Audit Committee, met with the internal audit Partner of PKF Littlejohn LLP in January 2015 to discuss the most recent Internal Audit Report on the Manager. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 29. Measures are in place to mitigate information risk in order to ensure the integrity, availability and confidentiality of information used within the business.
Reliance upon third parties risk	The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions.	There are provisions within the Management agreement for the change of Manager under certain circumstances (for further detail see the Management agreement paragraph on page 11). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP. The Board monitors the performance of other third party service providers annually.
Financial risk	By its nature, as a venture capital trust, the Company is exposed to investment risk (which comprises investment price risk and cash flow interest rate risk), credit risk and liquidity risk.	The Company's policies for managing these risks and its financial instruments are outlined in full in note 18 to the Financial Statements. Most of the Company's income and expenditure is denominated in sterling. As at 31 December 2014, the Company held an investment denominated in US dollars of £3,190,000 (2013: £5,112,000). It is therefore likely that the Company would be affected by currency fluctuations; however, this is not expected to be material. The Company does not use derivative financial instruments for speculative purposes.

This Strategic report of the Company for the year ended 31 December 2014 has been prepared in accordance with the requirements of section 414A of the Companies Act 2006 (the "Act"). The purpose of this report is to provide Shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

The Strategic report was approved by the Board of Directors on 27 March 2015 and was signed on its behalf by:

Robin Field
Chairman
27 March 2015

The Board of Directors

The following are the Directors of the Company, all of whom operate in a non-executive capacity.

Robin Field (Chairman), appointed 21 January 2009, began his commercial career with Jardine Matheson & Co. in the Far East where he fulfilled a number of managerial roles, including that of general manager of the largest independent shipping agency in Taiwan. He then gained an MBA with distinction at INSEAD, before serving as a strategy consultant with the LEK Partnership. He was chief executive of Filofax Group plc when the company floated on the London Stock Exchange in 1996.

Thomas Chambers (Chairman of the Audit Committee), appointed 3 October 2011, has over ten years' operational experience at mobile operating systems provider Symbian Limited (acquired by Nokia Oyj in 2009) and at ADSL/fixed line phone provider First Telecom plc. Since 2002, Thomas has had a range of industry, venture capital and government, non-executive and advisory roles giving insight into, in particular, the technology and communications sectors. As CFO of Symbian he played a significant leadership role in the creation of the first Smartphones. He was also CFO of Robert Walters plc which he took through its listing on the London Stock Exchange in 1996. He spent six years in corporate finance at Dresdner Kleinwort Benson Limited after a five year career with Price Waterhouse. He is currently non-executive Treasurer and a council member of the University of Surrey, is a non-executive director of NCC Group plc and of a number of private companies.

Martin Fiennes, appointed 5 April 2011. Martin is a self-employed corporate finance adviser. He trades as Gatehouse Capital, a technology corporate finance business based in Oxford which specialises in fund-raisings and M&A for UK technology companies. Prior to starting Gatehouse Capital, Martin worked for nine years with Top Technology Ventures where he was responsible for making investments in early stage UK technology companies. Martin has wide experience in marketing and management roles, including as an executive director in a start-up in the leisure sector. Martin is also a Trustee of the HDH Wills 1965 Charitable Trust, as well as a non-executive director of Drayton Manor Park Limited, and Excel with Business Limited.

All of the Directors are non-executive and independent of the Manager, Albion Ventures LLP; and are members of the Audit Committee.

At the Annual General Meeting, Robin Field will retire from the Board by rotation in accordance with the Company's Articles of Association and Companies Act 2006 and will offer himself for re-election.

The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Conduct Authority and is the Manager of the Company. In addition to the Company, it manages a further five venture capital trusts and currently has total funds under management of approximately £245 million.

The following are specifically responsible for the management and administration of the venture capital trusts managed by Albion Ventures LLP, including the Company:

Patrick Reeve, MA, ACA, qualified as a chartered accountant before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, working in both the development capital and corporate finance divisions before establishing Albion Ventures (formerly Close Ventures Limited) in 1996. He is the managing partner of Albion Ventures and is also a director of Albion Development VCT PLC, Albion Enterprise VCT PLC and Albion Technology & General VCT PLC, all managed by Albion Ventures. He is also chief executive of Albion Community Power PLC, a member of the Audit Committee of University College London, and a director of UCL Business PLC, the technology transfer arm of the university, and is on the Council of the BVCA.

Will Fraser-Allen, BA (Hons), FCA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 and then joined their corporate finance team providing corporate finance advice to small and medium sized businesses. He joined Albion Ventures in 2001 since when he has focused on leisure and healthcare investing. Will became deputy managing partner of Albion Ventures LLP in 2009. Will has a BA in history from Southampton University.

Adam Chirkowski, MA, having graduated in Industrial Economics followed by a Masters in Corporate Strategy, spent five years at N M Rothschild & Sons specialising in mergers and acquisitions, principally in the natural resources and then healthcare sectors, before joining Albion Ventures in 2013, where he currently concentrates on renewable energy projects and healthcare.

Dr Andrew Elder, MA, FRCS, initially practised as a surgeon for six years, specialising in neurosurgery, before joining the Boston Consulting Group (BCG) as a consultant in 2001. Whilst at BCG he specialised in healthcare strategy, gaining experience with many large, global clients across the full spectrum of healthcare including biotechnology, pharmaceuticals, service and care providers, software and telecommunications. He joined Albion Ventures in 2005 and became a partner in 2009. He has an MA plus Bachelors of Medicine and Surgery from Cambridge University and is a Fellow of the Royal College of Surgeons (England).

Emil Gigov, BA (Hons), FCA, graduated from the European Business School, London, with a BA (Hons) Degree in European Business Administration in 1994. He then joined KPMG in their financial services division and qualified as a chartered accountant in 1997. Following this he transferred to KPMG Corporate Finance where he specialised in the leisure, media and marketing services sectors acting on acquisitions, disposals and fundraising mandates. He joined Albion Ventures in 2000 and has since made and exited investments in a number of industry sectors, including healthcare, education, technology, leisure and engineering. Emil became a partner in Albion Ventures in 2009.

David Gudgin, BSc (Hons), ACMA, qualified as a management accountant with ICL before spending 3 years at the BBC. In 1999 he joined 3i plc as an investor in European technology based in London and Amsterdam. In 2002 he moved to Foursome Investments (now Frog Capital) as the lead investor of an environmental technology and a later stage development capital fund. David joined Albion Ventures in 2005 and became a partner in 2009. He is also Managing Director of Albion Community Power PLC. David has a BSc in Economics from Warwick University.

Vikash Hansrani, BA (Hons), ACA, qualified as a chartered accountant with RSM Tenon plc and latterly worked in its corporate finance team. He joined Albion Ventures in 2010, where he is currently Director of Finance. He is also Finance Director of Albion Community Power PLC. He has a BA in Accountancy & Finance from Nottingham Business School.

Ed Lascelles, BA (Hons), began by advising quoted UK companies on IPOs, takeovers and other corporate transactions, first with Charterhouse Securities and then ING Barings. Companies ranged in value from £10 million to £1 billion, across the healthcare and technology sectors among others. After moving to Albion Ventures in 2004, Ed started investing in the technology, healthcare, financial and business services sectors. Ed became a partner in 2009 and is responsible for a number of Albion's technology investments. He graduated from University College London with a first class degree in Philosophy.

Dr Christoph Ruedig, MBA, initially practised as a radiologist, before spending 3 years at Bain & Company. In 2006 he joined 3i plc working for their healthcare venture capital arm leading investments in biotechnology, pharmaceuticals and medical technology. More recently he worked for General Electric UK, where he was responsible for mergers and acquisitions in the medical technology and healthcare IT sectors. He joined Albion Ventures in 2011 and became a partner in 2014. He holds a degree in medicine from Ludwig-Maximilians University, Munich and an MBA from INSEAD.

Henry Stanford, MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group in 1992, becoming an assistant director in 1996. He moved to Albion Ventures in 1998, where he has been responsible for much of the asset based portfolio. Henry became a partner in Albion Ventures in 2009. He holds an MA degree in Classics from Oxford University.

Robert Whitby-Smith, BA (Hons), FCA. After graduating in History at Reading University, Robert qualified as a chartered accountant with KPMG and subsequently worked in corporate finance at Credit Suisse First Boston and ING Barings. Since joining in 2005, Robert has assisted in the workout of portfolios formerly managed by other fund managers (now named Crown Place VCT PLC and Kings Arms Yard VCT PLC), and is responsible for investments primarily in the advanced manufacturing, digital media and technology sectors. Robert became a partner in Albion Ventures in 2009.

Marco Yu, MPhil, MA, MRICS, spent two and a half years at Bouygues (UK), before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. Since joining Albion Ventures in 2007 Marco has been involved in hotel, cinema, pub, residential property and garden centre investments and is, more recently, responsible for a number of renewable energy investments. Marco became an Investment Director in April 2014. Marco graduated from Cambridge University with a first class degree in economics and is a Chartered Surveyor.

Portfolio of investments

			As at 31 December 2014			As at 31 December 2013			
	% voting rights	% voting rights held by all AVL[1] managed companies	Cost[2] £'000	Cumulative movement in value £'000	Value £'000	Cost[2] £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year[3] £'000
Asset-backed unquoted investments									
Active Lives Care Limited	15.6	33.0	**1,912**	**49**	**1,961**	–	–	–	**49**
Chonais Holdings Limited	13.1	50.0	**1,878**	**25**	**1,903**	1,306	2	1,308	**22**
The Street by Street Solar Programme Limited	10.0	50.0	**1,040**	**349**	**1,389**	1,000	237	1,237	**112**
Alto Prodotto Wind Limited	11.1	50.0	**1,000**	**342**	**1,342**	1,000	264	1,264	**78**
Ryefield Court Care Limited	11.3	23.7	**1,054**	**28**	**1,082**	–	–	–	**28**
Regenerco Renewable Energy Limited	9.8	50.0	**935**	**125**	**1,060**	935	62	997	**62**
Dragon Hydro Limited	17.2	30.0	**736**	**150**	**886**	736	–	736	**150**
Bravo Inns II Limited	5.0	50.0	**800**	**14**	**814**	800	7	807	**7**
Green Highland Renewables (Ledgowan) Limited	10.0	50.0	**516**	**7**	**523**	186	–	186	**7**
AVESI Limited	14.8	50.0	**460**	**49**	**509**	460	–	460	**48**
Greenenerco Limited	8.6	50.0	**300**	**102**	**402**	300	–	300	**102**
Orchard Portman Group – (Taunton Hospital Limited)	0.7	50.0	**175**	**32**	**207**	–	–	–	**32**
Erin Solar Limited	5.7	50.0	**160**	**–**	**160**	160	–	160	**–**
Infinite Ventures (Goathill) Limited	2.1	24.0	**112**	**–**	**112**	–	–	–	**–**
Harvest AD Limited[i]	–	–	**70**	**–**	**70**	70	–	70	**–**
Total asset-backed unquoted investments			**11,148**	**1,272**	**12,420**	6,953	572	7,525	**697**
High growth unquoted investments									
Elateral Group Holdings Limited	37.7	37.7	**3,343**	**1,655**	**4,998**	2,343	2,597	4,941	**(943)**
Sift Limited	40.2	40.2	**3,274**	**(635)**	**2,639**	3,274	(637)	2,637	**2**
Cluster Seven Ltd	28.6	28.6	**2,076**	**324**	**2,400**	2,218	44	2,263	**280**
Lab M Holdings Limited	26.4	26.4	**858**	**484**	**1,342**	858	421	1,279	**63**
Proveca Limited	14.1	39.5	**751**	**415**	**1,166**	572	35	607	**380**
Hilson Moran Holdings Limited	15.0	50.0	**495**	**511**	**1,006**	675	555	1,230	**6**
Omprompt Limited	7.4	20.5	**900**	**10**	**910**	–	–	–	**10**
Academia Inc	5.3	5.3	**351**	**513**	**864**	351	440	791	**72**
Perpetuum Limited	14.1	14.1	**1,644**	**(823)**	**821**	1,365	(734)	630	**(88)**
Xention Limited	5.1	5.1	**608**	**194**	**802**	608	194	801	**1**
MyMeds&Me Limited	7.3	20.0	**657**	**(10)**	**647**	365	18	383	**(29)**
Anthropics Technologies Limited	12.4	12.4	**–**	**623**	**623**	–	502	502	**121**
Symetrica Limited	3.5	3.5	**309**	**245**	**554**	309	244	554	**–**
Egress Software Technologies Limited	4.4	22.6	**430**	**78**	**508**	–	–	–	**78**
Haemostatix Limited	18.8	18.8	**1,554**	**(1,052)**	**502**	1,392	(1,052)	340	**1**
Antenova Limited	12.3	12.3	**1,543**	**(1,114)**	**429**	1,543	(1,188)	355	**75**
Celoxica Holdings plc	4.4	4.4	**513**	**(144)**	**369**	513	(157)	356	**13**
Relayware Limited	1.4	15.5	**325**	**8**	**333**	232	6	238	**2**
Abcodia Limited	6.7	21.4	**298**	**3**	**301**	266	1	267	**2**
Grapeshot Limited	2.5	12.7	**280**	**–**	**280**	–	–	–	**–**
Aridhia Informatics Limited	0.8	6.7	**299**	**(43)**	**256**	250	2	252	**(45)**
Mirada Medical Limited	1.1	45.0	**190**	**–**	**190**	–	–	–	**–**
The Wentworth Wooden Jigsaw Company Limited	5.4	5.4	**–**	**140**	**140**	–	73	73	**67**
Cisiv Limited	1.0	8.8	**133**	**–**	**133**	97	1	98	**(1)**
Ario Pharma Limited	1.7	1.7	**–**	**96**	**96**	–	–	–	**96**
Sandcroft Avenue Limited	1.3	5.3	**84**	**(10)**	**74**	–	–	–	**(10)**
Silent Herdsman Holdings Limited	3.3	34.0	**102**	**(56)**	**46**	82	–	82	**(56)**
Xtera Communications Inc	0.9	0.9	**85**	**(75)**	**10**	85	(75)	10	**–**
Oxonica Limited	2.1	2.1	**185**	**(184)**	**1**	185	(184)	1	**–**
De Novo Pharmaceuticals Limited	–	–	**–**	**1**	**1**	–	1	1	**–**
TeraView Limited	1.0	1.0	**1**	**–**	**1**	1,197	(1,184)	13	**–**
Furzeland Limited	–	–	**–**	**1**	**1**	–	2	2	**(1)**
Keronite Group Limited	1.1	1.1	**–**	**1**	**1**	–	1	1	**–**
Lectus Therapeutics Limited	4.5	4.5	**–**	**1**	**1**	–	1	1	**–**
Total high growth unquoted investments			**21,288**	**1,157**	**22,445**	18,780	(73)	18,708	**96**
Quoted investments									
Oxford Immunotec Global PLC (NASDAQ)			**1,422**	**1,768**	**3,190**	1,524	3,031	4,555	**(1,056)**
Total quoted investments			**1,422**	**1,768**	**3,190**	1,524	3,031	4,555	**(1,056)**
Total fixed asset investments			**33,858**	**4,197**	**38,055**	27,257	3,530	30,788	**(263)**

Portfolio of investments (continued)

Current asset investments	% voting rights	% voting rights held by all AVL[(1)] managed companies	As at 31 December 2014 Cost[(2)] £'000	Cumulative movement in value £'000	Value £'000	As at 31 December 2013 Cost[(2)] £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year[(3)] £'000
UniServity Limited (ii)	**93.6**	**93.6**	**250**	**(100)**	**150**	**3,810**	**(3,710)**	**100**	**50**
Total current asset investments			**250**	**(100)**	**150**	**3,810**	**(3,710)**	**100**	**50**

Total change on value of investments for the year	**(213)**
Movement in loan stock accrued interest	(66)
Realised losses from disposal of investments	(91)
Total losses on investments as per Income statement	**(370)**

The comparative cost and valuations for 31 December 2013 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2013 as the above list does not include brought forward investments that were fully disposed of in the year.

(i) Early stage investment of convertible loan stock.

(ii) As permitted by FRS 2 "Accounting for Subsidiary Undertakings", holdings in excess of 50 per cent. of the equity of an investment company may be excluded from consolidation where the holding is held exclusively for subsequent resale. The results of UniServity Limited, where the Company holds in excess of 50 per cent. of that company's equity are, therefore, excluded from consolidation as the interest in UniServity Limited is held exclusively for subsequent resale and has not previously been consolidated.

Realisations in the year to 31 December 2014	Cost[(2)] £'000	Opening carrying value[(3)] £'000	Disposal proceeds £'000	Realised gain/(loss) £'000	(Loss)/gain on opening or acquired value £'000
Atego Limited	948	2,934	2,745	1,797	(189)
Hilson Moran Holdings Limited (loan stock repayment)	180	229	242	62	13
Oxford Immunotec Global PLC	103	309	227	124	(82)
Clear2Pay NV	129	83	156	27	73
Cluster Seven Limited (loan stock repayment)	142	142	142	–	–
The Wentworth Wooden Jigsaw Company Limited	–	–	39	39	39
Isango! Limited	–	–	2	2	2
TeraView Limited †	1,196	12	–	(1,196)	(12)
Uniservity Limited †	3,560	–	–	(3,560)	–
Total fixed asset realisations	**6,258**	**3,709**	**3,553**	**(2,705)**	**(156)**
Vivacta Limited (escrow receipt)	–	–	65	65	65
Total realisations	**6,258**	**3,709**	**3,618**	**(2,640)**	**(91)**

† Cost of realisations is net of amounts of £4,756,000 written off during the period in respect of investments still held at the balance sheet date.

(1) Albion Ventures LLP.

(2) Amounts shown as cost represent the acquisition cost in the case of investments originally made by the Company and/or the valuation attributed to the investments acquired from Quester VCT 2 plc and Quester VCT 3 plc at the date of the merger in 2005, and those acquired from Kings Arms Yard VCT 2 PLC at the merger on 30 September 2011, plus any subsequent acquisition costs, as reduced in certain cases by amounts written off as representing an impairment in value.

(3) After adjustment for additions and disposals.

Portfolio companies

The top ten fixed asset investments by total aggregate value of equity and loan stock are shown below.

The accounting information disclosed below is the latest as filed at Companies House. For the purposes of the valuation process, the most recent financial information available is used, which may include management accounts. The audited results are therefore not necessarily the figures used for the valuation of a portfolio company.

Elateral Group Holdings Limited

Development and sale of brand marketing automation software.

Website: www.elateral.com

Audited results for year ended	**31 March 2014**	**Investment information:**	
	£'000		**£'000**
Turnover	6,149	Income recognised in the year	45
Loss before tax	(1,508)	Accounting cost	3,343
Loss after tax	(1,195)	Total valuation	4,998
Net liabilities	(2,910)	Voting equity held	37.7%
Basis of valuation	Revenue multiple		

Oxford Immunotec Global plc

A global, commercial-stage diagnostic company in the field of immunology.

Website: www.oxfordimmunotec.com

Unaudited results for year ended	**31 December 2014**	**Investment information:**	
	US$'000		**£'000**
Turnover	49,505	Income recognised in the year	–
Loss before tax	(22,020)	Accounting cost	1,422
Loss after tax	(22,174)	Total valuation	3,190
Net assets	73,849	Voting equity held	2.3%
Basis of valuation	NASDAQ market bid price		

Sift Limited

Web based provision of online business and community management solutions.

Website: www.sift.com

Audited results for year ended	**31 December 2013**	**Investment information:**	
	£'000		**£'000**
Turnover	8,063	Income recognised in the year	66
Profit before tax	365	Accounting cost	3,274
Profit after tax	123	Total valuation	2,639
Net assets	1,245	Voting equity held	40.2%
Basis of valuation	Earnings multiple		

Cluster Seven Ltd

Design and development of spreadsheet management software for risk control and compliance.

Website: www.clusterseven.com

Audited results for year ended	**31 December 2013**	**Investment information:**	
	£'000		**£'000**
Turnover	2,683	Income recognised in the year	–
Loss before tax	(148)	Accounting cost	2,076
Profit after tax	379	Total valuation	2,400
Net liabilities	(2,087)	Voting equity held	28.6%
Basis of valuation	Revenue multiple		

Active Lives Care Limited

A 72 bed care home under construction one mile from Oxford city centre.

Website: www.cumnorhillhouse.uk

The company was incorporated on 8 November 2013 and has not yet filed accounts at Companies House.

Investment information:	
	£'000
Income recognised in the year	49
Accounting cost	1,912
Total valuation	1,961
Voting equity held	15.6%

Basis of valuation Cost

Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0%.

Portfolio companies (continued)

Chonais Holdings Limited

Hydropower project in Scotland.

Audited results for year ended	**30 September 2014**	**Investment information:**	
	£'000		**£'000**
Turnover	5	Income recognised in the year	65
Loss before tax	(542)	Accounting cost	1,878
Loss after tax	(542)	Total valuation	1,903
Net assets	2,702	Voting equity held	13.1%
Basis of valuation	Cost		

Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0%.

Lab M Holdings Limited

Range of microbiological testing products.

Website: www.labm.com

Audited results for year ended	**30 April 2014**	**Investment information:**	
	£'000		**£'000**
Turnover	4,479	Income recognised in the year	10
Profit before tax	256	Accounting cost	858
Profit after tax	167	Total valuation	1,342
Net assets	1,353	Voting equity held	26.4%
Basis of valuation	Earnings multiple		

Alto Prodotto Wind Limited

The company builds, owns and operates medium scale (100kWp to 1500kWp) wind projects in the UK.

Audited results for year ended	**31 March 2014**	**Investment information:**	
	£'000		**£'000**
Turnover	565	Income recognised in the year	112
Profit before tax	456	Accounting cost	1,000
Profit after tax	456	Total valuation	1,342
Net assets	1,541	Voting equity held	11.1%
Basis of valuation	Net assets supported by third party valuation		

Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0%.

The Street by Street Solar Programme Limited

The company installs, owns and operates domestic photovoltaic systems on homes in England.

Audited results for year ended	**30 November 2013**	**Investment information:**	
	£'000		**£'000**
Turnover	675	Income recognised in the year	95
Loss before tax	(197)	Accounting cost	1,000
Loss after tax	(197)	Total valuation	1,389
Net assets	834	Voting equity held	10.0%
Basis of valuation	Net assets supported by third party valuation		

Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0%.

Proveca Limited

Proveca specialises in developing complex pharmaceuticals for children.

Website: www.proveca.co.uk

Audited results for year ended	**31 July 2013**	**Investment information:**	
	£'000		**£'000**
Turnover	–	Income recognised in the year	60
Loss before tax	(572)	Accounting cost	751
Loss after tax	(593)	Total valuation	1,166
Net liabilities	(228)	Voting equity held	14.1%
Basis of valuation	Cost plus third party discounted offer		

Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0%.

Directors' report

The Directors present their Annual Report and the audited Financial Statements on the affairs of Kings Arms Yard VCT PLC (the "Company") for the year ended 31 December 2014.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a Venture Capital Trust. It has been approved by H.M. Revenue & Customs ("HMRC") as a venture capital trust in accordance with Part 6 of the Income Tax Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval.

The Company is not a close company for taxation purposes and its shares are listed on the official list of the London Stock Exchange.

Under current tax legislation, shares in the Company provide tax-free capital growth and income distribution, in addition to the income and capital gains tax relief some investors would have obtained when they invested in the original share offers.

Capital structure

Details of the Company's issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 14.

Ordinary shares represent 100% of the total share capital and voting rights. All shares (except for treasury shares which have no rights to a dividend and no voting rights) rank pari passu for dividend and voting purposes. Each Ordinary share is currently entitled to one vote. The Directors are not aware of any restrictions on the transfer of shares or on voting rights.

Issue and buy-back of Ordinary shares

The Company operates a Dividend Reinvestment Scheme, details of which can be found on www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Kings Arms Yard VCT PLC. During the year, the Company issued 17,760,091 new Ordinary shares, details of which can be found in note 14.

The Company is currently participating in the Albion VCTs Prospectus Top Up Offers 2014/2015 for which a prospectus has recently been published, copies of which are available on the Company's website at www.albion-ventures.co.uk.

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current buy-back policy can be found in the Chairman's statement on page 6.

Substantial interests and shareholder profile

As at 31 December 2014 and at the date of this Report, the Company was not aware of any beneficial interest exceeding 3% of voting rights. There have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 December 2014 and up to the date of this Report.

Results and dividends

The revenue return attributable to Shareholders for the year was £535,000 (2013: £1,147,000).

During the year, the Company paid a dividend of 1 penny per share (2013: 1 penny per share).

As shown in the Chairman's statement, the Board has declared a first dividend of 0.5 pence per share for the year ending 31 December 2015 to be paid on 30 April 2015 to shareholders on the register as at 10 April 2015.

Going concern

In accordance with "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" issued by the Financial Reporting Council, the Board has assessed the Company's operation as a going concern. After accounting for investments available for disposal and current fundraising, the Company has adequate cash and liquid resources, and the major cash outflows of the Company (namely investments, share buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 18. The Company's business activities, together with details of its performance are shown in the Strategic report and this Directors' report.

Post balance sheet events

Details of events that have occurred since the balance sheet date are shown in note 20.

Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out in the Strategic report on pages 13 and 14.

Maintenance of VCT qualifying status

In addition to the investment policy described on page 8 of the Strategic report, the Company's investment allocation and risk diversification policies are substantially driven by the relevant

Directors' report (continued)

HMRC rules and, in order to maintain its status under Venture Capital Trust legislation, it is the intention of the Company to apply the following policies in this respect:

(1) The Company's income must be derived wholly or mainly from shares and securities;

(2) At least 70% 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% 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%;

(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% by HMRC value of its investments;

(5) The Company must not have retained greater than 15% 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.

'Qualifying holdings' 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% 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. The Company may not control a portfolio company. Details of the sectors in which the Company is invested can be found in the pie chart on page 9.

Portfolio company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. With effect from 6 April 2012, the legislation has been amended so as to prevent any company from receiving 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.

These tests drive a spread of investment risk through disallowing holdings of more than 15% in any portfolio company. The tests have been carried out and independently reviewed for the year ended 31 December 2014. As mentioned in the Strategic report on page 11, the Company has complied with all tests and continues to do so.

Environment
The management and administration of the Company is undertaken by the Manager, Albion Ventures LLP. Albion Ventures LLP recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption.

Global greenhouse gas emissions
The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Company Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within our underlying investment portfolio.

Anti-bribery policy
The Company maintains a rigorous policy on anti-bribery.

Albion Ventures LLP reviews the anti-bribery policies and procedures of all portfolio companies.

Diversity
The Board currently consists of three male Directors. The Board's policy on the recruitment of new Directors is to attract a range of backgrounds, skills and experience and to ensure that appointments are made on the grounds of merit against clear and objective criteria and bear in mind gender and other diversity within the Board. More details on the Directors can be found in the Board of Directors section on page 15.

The Manager has an equal opportunities policy and currently employees 13 men and 10 women.

Employees
The Company is managed by Albion Ventures LLP and hence has no employees other than its Directors.

Directors
The Directors who held office throughout the year and their interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 32.

Re-election of Directors
Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code. At the forthcoming Annual General Meeting, Robin Field will retire by rotation in accordance with the Articles and offer himself for re-election.

Directors' report (continued)

Directors' indemnity
Each Director has entered into a deed of indemnity with the Company which indemnifies each Director, subject to the provisions of the Companies Act 2006 and the limitations set out in each deed, against any liability arising out of any claim made against him in relation to the performance of his duties as a Director of the Company. A copy of each deed of indemnity entered into by the Company for each Director is available at the registered office of the Company.

Advising ordinary retail investors
The Company currently conducts its affairs so that its shares can be recommended by financial intermediaries to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The FCA's restrictions which apply to non-mainstream investment products do not apply to the Company's shares because they are shares in a Venture Capital Trust which, for the purposes of the new rules relating to non-mainstream investment products, are excluded securities and may be promoted to ordinary retail investors without restriction.

Investment and co-investment
The Company co-invests with other venture capital trusts and funds managed by Albion Ventures LLP. Allocation of investments is on the basis of an allocation agreement which is based, inter alia, on the ratio of funds available for investment.

Auditor
The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services.

During the year, the Company undertook a competitive tender process for the selection of an audit firm. BDO was successful in the tender process and therefore the Directors have appointed BDO LLP as auditor of the Company to fill the casual vacancy. As a consequence, Grant Thornton UK LLP resigned as the Company's auditor with effect from 15 October 2014.

Further details of this evaluation can be found in the Audit Committee section in the Statement of Corporate Governance on pages 28 and 29.

A resolution to appoint BDO LLP will be proposed at the Annual General Meeting on 14 May 2015.

Annual General Meeting
The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 11.00am on 14 May 2015. The Notice of Annual General Meeting can be found on page 55.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against' and 'withheld. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution. A summary of proxies lodged at the Annual General Meeting will be published at www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Kings Arms Yard VCT PLC.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply either with the Companies Act 2006 or the Listing Rules of the Financial Conduct Authority.

Continuation as venture capital trust
This ordinary resolution proposes the continuation of the Company as a venture capital trust. Members have the opportunity, every five years, to confirm that they wish the Company to continue as a venture capital trust; otherwise the Board is required to make proposals for the reorganisation, reconstruction or the orderly liquidation and winding up of the Company.

Power to allot shares
This ordinary resolution proposes to renew the Directors' authority to allot additional shares of the Company up to an aggregate nominal amount of £464,322 which represents approximately 20% of the issued share capital of the Company.

The Directors current intention is to allot shares under the Dividend Reinvestment Scheme, any Albion VCTs Share Offers and the reissuance of treasury shares where it is in the Company's interest to do so. The Company currently holds 24,875,000 treasury shares representing 11% of the total Ordinary share capital in issue as at 31 December 2014.

During the year, Ordinary shares were allocated under the terms of the Dividend Reinvestment Scheme as described in detail in note 14.

Since the year end, shares were allotted under the Albion VCTs Prospectus Top Up Offers 2014/2015 as described in detail in note 20.

This resolution replaces the authority given to the Directors at the General Meeting in 2014. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Directors’ report (continued)

Dis-application of pre-emption rights
This special resolution proposes to renew the Directors’ authority to allot equity securities for cash up to an aggregate nominal amount of £464,322 (being 20% of the Company’s current issued share capital) without first being required to offer such securities to existing shareholders. This will enable the Company to operate its Dividend Reinvestment Scheme and also includes the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The Directors consider that it may in certain circumstances be in the best interests of the Company to allot shares for cash otherwise than pro rata to existing shareholders.

This resolution replaces the authority given to the Directors at the General Meeting in 2014. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Purchase of own shares
This special resolution proposes to renew the existing power of the Company to purchase its own shares up to a maximum number of 14.99% of the total number of shares currently in issue at or between the minimum and maximum prices specified in resolution 9.

The Board considers that it may, in certain circumstances, be advantageous for the Company to be able to purchase its own shares; occasional market purchases by the Company of its own shares can enhance the net asset value per share for the Company’s remaining shareholders, and the power will be exercised only if, in the opinion of the Board, a purchase by the Company of its own shares would be in the interests of the Company’s shareholders and would enhance the Company’s net asset value per share.

Under s724-732 of the Companies Act 2006, shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by these resolutions is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

During the financial year under review, the Company purchased 8,129,000 Ordinary shares of which 6,995,000 are held in treasury and 1,134,000 were cancelled. Further information is shown in note 14.

The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Treasury shares
Under the Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003 (the “Regulations”), shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

This special resolution proposes to permit Directors to sell treasury shares at the higher of the prevailing current share price and the price bought in at.

Notice of general meetings
Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (Annual General Meetings will continue to be held on at least 21 clear days’ notice).

Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings, other than an Annual General Meeting, on 14 clear days’ notice without obtaining such shareholder approval. In order to preserve this ability, resolution 11 seeks such approval. The approval will be effective until the Company’s next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Recommendation
The Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole and accordingly, unanimously recommends that you vote in favour of these resolutions, as the Directors intend to do in respect of their own shareholdings.

Directors’ responsibilities
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

Directors' report (continued)

In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable UK accounting standards subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- Prepare a Strategic report, a Director's report and Director's remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Following detailed reviews of the Annual Report and Financial Statements and consideration of the key areas of risk identified, the Directors have concluded that, as a whole, the Financial Statements are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's webpage on the Manager's website (www.albion-ventures.co.uk) in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, and other information included in annual reports, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Manager's website is, so far as it relates to the Company, the responsibility of the Manager.

The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the Financial Statements since they were initially presented on the website.

Directors' responsibilities pursuant to Disclosure and Transparency Rule 4 of the UK Listing Authority

The Directors confirm to the best of their knowledge that:

– the Financial Statements, which have been prepared in accordance with applicable UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

– the Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the directors are stated on page 15.

Disclosure of information to the Auditor

In the case of the persons who are Directors of the Company at the date of approval of this report:

– so far as each of the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware; and

– each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company Auditor is aware of that information.

This disclosure is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

Albion Ventures LLP
Company Secretary

1 King's Arms Yard
London, EC2R 7AF
27 March 2015

Statement of corporate governance

Background
The Financial Conduct Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("FRC") in September 2012.

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Investment Trusts and VCTs.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders than reporting under the Code alone.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

Application of the Principles of the Code
The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust company, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

Board of Directors
The Board consists solely of non-executive Directors. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Robin Field is the Chairman and all the Directors of the Company are considered independent. The Board will continue to act independently of the Manager and the Directors consider that the size of the Board is adequate to meet the Company's future needs.

The Board has considered whether it is appropriate to appoint a Senior Independent Director and has concluded that, due to the size of the Board, the fact that all Directors are non-executive, it is inappropriate for the time being. The need to appoint a Senior Independent Director is reviewed annually.

The Articles of Association require that all Directors be subject to re-election procedures by rotation at the Annual General Meeting. All Directors will submit themselves for re-election at least once every three years. Directors appointed since an annual general meeting will retire and be subject to election at the next Annual General Meeting and Directors not considered to be independent, or who have served for longer than nine years, will be subject to annual re-election. The Company's policy for the period for which a director may serve is an absolute maximum of 10 years and that the process of selecting a successor commences at the latest after 8 years of service. In accordance with the Articles of Association, Mr Robin Field will resign and offer himself for re-election.

Information regarding the terms of appointment of the non-executive Directors is available on request.

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 15. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Code, the Company has in place Directors' & Officers' Liability Insurance.

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to experience and balance of skills.

The Board met four times during the year as part of its regular programme of Board meetings. All Directors attended each meeting. In addition, and in accordance with best practice, further meetings took place without the Manager present. A sub-committee of the Board comprising at least two Directors met during the year to allot shares under the Dividend Reinvestment Scheme and to approve the terms of the Albion VCTs Prospectus Top Up Offer 2014/2015.

The Chairman ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers, and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and its Manager sets out the matters over which the Manager has

Statement of corporate governance (continued)

authority and limits beyond which Board approval must be sought.

The Manager has authority over the management of the investment portfolio, the organisation of custodial, accounting, secretarial and administrative services. The main issues reserved for the Board include:

- the appointment, evaluation, removal and remuneration of the Manager;
- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- the consideration and approval of the portfolio valuations;
- consideration of corporate strategy;
- application of the principles of the Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of the Auditor;
- evaluation of non-audit services provided by the external Auditor;
- recommendation of the appropriate dividend to be paid to shareholders;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price;
- share buy-back and treasury share policy; and
- monitoring shareholder profile and considering shareholder communications.

It is the responsibility of the Board to present an Annual Report that is fair, balanced and understandable, which provides the information necessary for shareholders to assess the performance, strategy and business model of the Company.

Committees' and Directors' performance evaluation
Performance of the Board and the Directors is assessed on the following:

- attendance at Board and Committee meetings;
- the contribution made by individual Directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman. The Audit Committee Chairman reviews the Chairman's annual performance evaluation.

The evaluation process has identified that the Board works well together and has the right balance of skills, experience, independence and knowledge for the effective governance of the Company. Diversity within the Board is achieved through the appointment of directors with different sector experiences and skills.

Directors are offered training, both at the time of joining the Board and on other occasions where required. The Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

In light of the structured performance evaluation, Robin Field who is subject to re-election at the forthcoming Annual General Meeting, is considered to be effective and demonstrates strong commitment to the role. The Board believes it to be in the best interest of the Company that this Director continues in his position.

Remuneration and Nomination Committees
Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules as they relate to the Code provisions are not considered relevant.

The Board as a whole is responsible for the appointment and remuneration of Directors and, given the small size of the Board, separate Remuneration and Nomination Committees are not considered appropriate.

Audit Committee
The Audit Committee consists of all Directors and Thomas Chambers is the Chairman. In accordance with the Code, at least one member of the Audit Committee has recent and relevant financial experience. The Audit Committee met twice during the year ended 31 December 2014; all members attended.

The independent Auditors, BDO LLP, attended the Audit Committee at which the Annual Report and Financial Statements for the year ended 31 December 2014 were discussed. BDO also met with the Audit Committee prior to the meeting without the presence of the Manager.

Written terms of reference have been constituted for the Audit Committee and can be found on the Company's website at www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Kings Arms Yard VCT PLC.

During the year under review, the Audit Committee discharged its responsibilities including:

- formally reviewing the final Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring judgment and on critical accounting policies;

Statement of corporate governance (continued)

- advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- highlighting specific issues relating to the Financial Statements including the reasonableness of valuations produced by the Manager, compliance with accounting standards and UK law, corporate governance and listing and disclosure rules as well as going concern. These issues were addressed through detailed review, discussion and challenge by the Board of the matters, as well as by reference to underlying technical information;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- conducting an audit tender process and choosing a new auditor;
- meeting with the external Auditor, for the agreement of the audit plan, consideration of the sufficiency of the audit fee for the work required and reviewing the audit findings;
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board; and
- reporting to the Board on how it has discharged its responsibilities.

Financial Statements

The Audit Committee has initial responsibility for reviewing the Financial Statements and reporting on any significant issues that arise in relation to the audit of the Financial Statements as outlined below. Such issues were communicated with the external Auditor with the approval of the audit strategy and at the completion of the audit of the Financial Statements. No conflicts arose between the Audit Committee and the external Auditor in respect of their work during the year.

The key accounting and reporting issues considered by the Committee were:

The valuation of the Company's investments

Valuations of investments are prepared by the Investment Manager. The Audit Committee reviewed the estimates and judgments made in relation to these investments and were satisfied that they were appropriate. The Audit Committee also discussed the controls in place over the valuation of investments. The Audit Committee recommended investment valuations to the Board for approval.

Revenue recognition

The revenue generated from loan stock interest and dividend income has been considered by the Audit Committee as part of its review of the Annual Report as well as a quarterly review of the management accounts prepared by the Manager. The Audit Committee has considered the controls in place over revenue recognition to ensure that amounts received are in line with expectation and budget.

Following detailed reviews of the Annual Report and Financial Statements and consideration of the key areas of risk identified, the Audit Committee has concluded that, as a whole, the Financial Statements are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Relationship with the External Auditor

The Audit Committee reviews the performance and continued suitability of the Company's external Auditor on an annual basis. They assess the external Auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. During the year, an extensive audit tender process was undertaken; as a result of this process, BDO LLP was appointed the external Auditor of the Company. In advance of each audit, the Committee obtains confirmation from the external Auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. No non-audit services were provided during the financial year ended 31 December 2014.

As part of its work, the Audit Committee has undertaken a formal evaluation of the external Auditor against the following criteria:

- Qualification
- Expertise
- Resources
- Effectiveness
- Independence
- Leadership

In order to form a view of the effectiveness of the external audit process, the Audit Committee took into account information from the Manager regarding the audit process, the formal documentation issued to the Audit Committee and the Board by the external Auditor regarding the external audit for the year ended 31 December 2014, and assessments made by individual Directors.

The Audit Committee also has an annual meeting with the external Auditor, without the Manager present, at which pertinent questions are asked to help the Audit Committee determine if the Auditors' skills match all the relevant and appropriate criteria.

Where non-audit fee levels are considered significant, the Audit Committee considers the appropriateness of the independence safeguards put in place by the Auditor. No non-audit fees were paid to BDO LLP in the financial year to 31 December 2014. The Audit Committee considers BDO LLP to be independent of the Company. As part of its annual review procedures, the Audit Committee has obtained sufficient assurance from their own evaluation and the audit feedback documentation. Based on the assurance obtained, the Audit Committee has recommended to the Board that BDO LLP is appointed and that a resolution to this effect be proposed at the Annual General Meeting.

Internal control

In accordance with the Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. However, acknowledging that such a system is designed to manage, rather than eliminate, the risks of failure to achieve the Company's business objectives and that such controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Audit Committee, monitors all controls, including financial, operational and compliance controls, and risk management. The Audit Committee receives each year from the Manager a formal report, which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps are, and continue to be, taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to the Manager's and the Audit Committee's attention.

The Board, through the Audit Committee, has performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities.

The main features of the internal control and risk management system with respect to financial reporting, implemented throughout the year are:

- segregation of duties between the preparation of valuations and recording into accounting records;
- independent third party valuations of the majority of asset-backed investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the Managing Partner and reviews of financial reports are carried out by the Finance Director of the Manager, Albion Ventures LLP;
- bank and stock reconciliations are carried out monthly by the Manager in accordance with the FCA requirements;
- all published financial reports are reviewed by the Manager's Compliance department;
- the Board reviews financial information; and
- a separate Audit Committee of the Company reviews financial information to be published.

As the Board has delegated the investment management and administration of the Company to Albion Ventures LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board had access to PKF Littlejohn LLP, which, as internal auditor for Albion Ventures LLP, undertakes periodic examination of the business processes and controls environment at Albion Ventures LLP and ensures that any recommendations to implement improvements in controls are carried out. During the year, the Board reviewed internal audit reports prepared by PKF Littlejohn LLP. The Board and the Audit Committee will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Conflicts of interest

Directors review the disclosure of conflicts of interest annually, with changes reviewed and noted at the beginning of each Board meeting. A Director who has conflicts of interest refers to an independent Director to authorise and acknowledge those conflicts. Procedures to disclose and authorise conflicts of interest have been adhered to throughout the year.

Capital structure and Articles of Association

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full in the Directors' report on pages 21 and 23. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Statement of corporate governance (continued)

Any amendments to the Company's Articles of Association are by way of a special resolution subject to ratification by shareholders.

Relationships with shareholders

The Company's Annual General Meeting on 14 May 2015 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

At the Annual General Meeting, the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

The Annual General Meeting will also include a presentation from the Manager on the portfolio and on the Company, and a presentation from a portfolio company.

Shareholders are able to access the latest information on the Company via the Albion Ventures LLP website www.albion-ventures.co.uk under the "Our Funds" section by clicking on Kings Arms Yard VCT PLC.

For help relating to dividends payments, shareholdings, share certificates or changes to personal details please contact Computershare Investor Services PLC:

Tel: 0870 873 5858 (UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri, calls may be recorded)

Website: www.investorcentre.co.uk

Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.

Enquiries relating to the performance of the Company and information for financial advisers, please contact Albion Ventures LLP:

Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded)

Email: info@albion-ventures.co.uk
Website: www.albion-ventures.co.uk

Please note that these contacts are unable to provide financial or taxation advice.

The Company's shares are quoted on the London Stock Exchange and it is through this market that the Company operates its share buy-back programme. In order for shareholders to sell shares they should, after due consideration of their personal tax position, approach a broker to undertake the sale. Banks may be able to assist shareholders with a referral to a broker within their banking group.

Statement of compliance

The Directors consider that, with the exception of the requirement for the appointment of a Senior Independent Director and the appointment of separate Remuneration and Nomination Committees, the Company has complied throughout the year ended 31 December 2014 with all the relevant provisions of the Code and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

By order of the Board

Albion Ventures LLP
Company Secretary

1 King's Arms Yard
London, EC2R 7AF
27 March 2015

Directors' remuneration report

Introduction
This report is submitted in accordance with Section 420 of the Companies Act 2006 ("the Act") and describes how the Board has applied the principles relating to the Directors' remuneration. As required by the Act, an ordinary resolution will be proposed at the Annual General Meeting of the Company to be held on 14 May 2015 for the approval of the Annual Remuneration Report as set out below.

The Company's independent Auditor, BDO LLP, is required to give its opinion on certain information included in this report as indicated below. The Auditor's opinion is included in the Independent Auditor's Report.

UNAUDITED INFORMATION
Annual statement from the Chairman
Since the Company's Board consists solely of non-executive Directors and there are no executive employees, a Remuneration Committee is not considered necessary. The Board as a whole is responsible for the appointment and remuneration of Directors and, in accordance with the AIC Code of Corporate Governance, considers the level of the fees at least annually.

Directors' salaries were increased last year to reflect the increase in the amount of work required of the Directors. The Board reviewed Directors responsibilities and salaries against the market and concluded that the current level of remuneration was in line with expectation and so no further increase was necessary.

Directors' remuneration policy
The current Remuneration Policy was approved by shareholders (96% of shareholders voted for the resolution) at the Annual General Meeting held on 23 May 2014, and will remain in place for a three year period.

The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters and should be sufficient to enable candidates of high calibre to be recruited. In determining the level of non-executive Directors' remuneration, market equivalents are considered in comparison to the overall activities and size of the Company. There is no performance related pay criteria applicable to non-executive Directors.

None of the Directors have a service contract with the Company, and as such there is no policy on termination payments. There is no notice period and no payments for loss of office were made during the year. On being appointed to the Board, Directors receive a letter from the Company setting out the terms of their appointment and their specific duties and responsibilities. The Company has no employees other than the Directors.

The Company's Articles of Association limit fees payable to the Directors to £80,000 per annum in aggregate and amendment to this is by way of a special resolution subject to ratification by shareholders. This policy will continue for the year ended 31 December 2015. Directors' fees payable during the year totalled £67,000 (2013: £70,000) as set out below and in note 6 to the Financial Statements. An ordinary resolution to approve the Directors' Remuneration policy will be put to shareholders at least once every three years.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £10,000 (2013: £10,000).

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. In accordance with the recommendations of the AIC Code, Directors who have served the Company for longer than nine years are subject to annual re-election, and any non-independent Directors are also subject to annual re-election.

At the Annual General Meeting to be held on 14 May 2015, Robin Field will retire by rotation and be subject to re-election.

Shareholders' views in respect of Directors' remuneration are respected and the Board encourages shareholders to attend its Annual General Meeting in order to communicate their thoughts, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 96% of shareholders voted for the resolution approving the Directors' remuneration report which shows significant shareholder support.

Annual report on remuneration
The remuneration of individual Directors is determined by the entire Board to a set framework.

The Board annually reviews the remuneration of the Directors and the Company's remuneration policy to ensure that it reflects the duties, responsibilities and value of time spent by the Directors on the business of the Company.

Relative importance of spend on pay
As the Company has no employees other than the Directors, it is not considered meaningful to present a table comparing remuneration paid to employees with distributions to shareholders.

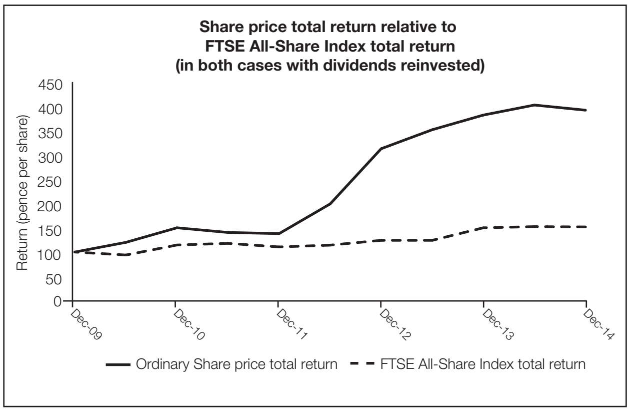
Performance
The Directors consider that total return to shareholders (defined as the net asset value per share of the Company plus cumulative dividends paid) since the date of launch of the Company is the most appropriate indicator of the performance of the Company. The total return (excluding tax benefits of 20p per share) of 81.64 pence per share, which is shown on

Directors' remuneration report (continued)

page 5 can be compared against the issue price of 100p at the date of launch of the fund.

The graph below shows the Company's share price total return against the FTSE All-Share Index total return, in both instances rebased to 100 and with dividends reinvested, since 2009. The Directors consider the FTSE All-Share Index to be the most appropriate benchmark for the Company. Investors should, however, be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

There are no options, issued or exercisable, in the Company which would distort the graphical representation.



Source: Albion Ventures LLP

Methodology: The share price return to the shareholder, including original amount invested (rebased to 100), assuming that dividends were re-invested at the share price of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

AUDITED INFORMATION

Directors' remuneration

The following items have been audited.

The following table shows an analysis of the remuneration, excluding national insurance, of individual Directors who served during the year:

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
R A Field (Chairman) (1)	**22,500**	22,500
T W Chambers (2)	**20,000**	17,500
M G Fiennes	**17,500**	15,000
A P M Lamb (resigned 23 May 2014)	**7,000**	15,000
	67,000	70,000

(1) £5,000 is included in the total above for R A Fields' capacity as Chairman.

(2) £2,500 is included in the total above for T W Chambers' capacity as Audit Committee Chairman.

The Company does not confer any share options, long term incentives or retirement benefits to any Director, nor does it make a contribution to any pension scheme on behalf of the Directors.

Director's remuneration is paid to the Director personally through the Manager's payroll and subsequently recharged to the Company.

Directors' interests

The Directors who held office throughout the year and their interests in the issued Ordinary shares of 1 penny each of the Company (together with those of their immediate family) are shown below:

	31 December 2014	31 December 2013
R A Field	**782,477**	208,993
M G Fiennes	**132,500**	132,500
T W Chambers	**383,781**	383,781
A P M Lamb	**n/a**	121,182
	1,298,758	846,456

There have been no changes in the holdings of the Directors between 31 December 2014 and the date of this report.

All of the Directors' share interests shown above (together with those of their immediate family) were held beneficially and no right to subscribe for shares in the Company was granted to, or exercised by, any Director during the year.

The Directors' remuneration report was approved by the Board of Directors and signed on its behalf by order of the Board.

Albion Ventures LLP
Company Secretary

1 King's Arms Yard
London EC2R 7AF
27 March 2015

Independent Auditor's report to the Members of Kings Arms Yard VCT PLC

Our opinion on the financial statements

In our opinion the Kings Arms Yard VCT PLC financial statements for the year ended 31 December 2014:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

What our opinion covers

Our audit opinion on the financial statements covers the:

- Income Statement;
- Balance Sheet;
- Reconciliation of Movements in Shareholders' Funds;
- Cash Flow Statement; and
- related notes

Respective responsibilities of directors and auditor

As explained more fully in the report of the directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the FRC's Ethical Standards for Auditors.

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's (FRC) website at www.frc.org.uk/auditscopeukprivate

Our approach

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and, the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement. Below are those risks which we considered to have the greatest impact on our audit strategy and our audit response:

Risk area	Audit response
Valuation of investments: Valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the company.	We considered the design and implementation of controls in place over the valuation of investments and also reviewed the assumptions and underlying evidence supporting the year end valuations. In doing so, we reviewed the valuation reports prepared by the Investment Manager for all unquoted investments considering whether, in our professional judgement, the methodology is the most appropriate in the circumstances under the IPEV guidelines and, for a risk-determined sample of the investments we: • Re-performed the calculation of the investment valuation; • Verified key inputs to the valuation to independent information; • Benchmarked key inputs and estimates to independent information and our own research; • Where appropriate, performed sensitivity analyses on the valuation calculations where, in our opinion, there was sufficient evidence to suggest reasonable alternative inputs might exist; • Challenged the Investment Manager regarding significant judgements made; and • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation.

Independent Auditor's report to the Members of Kings Arms Yard VCT PLC (continued)

Risk area	Audit response
Revenue recognition: Revenue consists of loan stock interest, dividends receivable from investee companies and interest earned cash balances. Revenue recognition is a presumed risk under International Standards on Auditing (UK & Ireland).	• We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid; • We considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the portfolio company to service the loan and the reasons for any arrears of loan interest; • We reviewed the recognition and classification of any accrued income, considering the appropriateness of the classification of income between revenue and capital in the Income Statement; and • We tested dividends receivable to cash received, as well as to supporting documentation and management accounts of the investee companies.

The Audit Committee's consideration of their key issues is set out on page 28.

Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	• The value of net assets • The level of judgement inherent in the valuation • The range of reasonable alternative valuation	750,000
Specific materiality – classes of transactions and balances which impact on net realised returns	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• Revenue return before taxation	60,000

Independent Auditor's report to the Members of Kings Arms Yard VCT PLC (continued)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £7,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 26 and 30 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 21, in relation to going concern; and
- the part of the Corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Rhodri Whitlock (Senior Statutory Auditor)
for and on behalf of BDO LLP
Statutory Auditor,
London
UK
27 March 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement

		Year ended 31 December 2014			Year ended 31 December 2013		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gains on investments	2	**–**	**(370)**	**(370)**	–	4,080	4,080
Investment income	3	**1,007**	**112**	**1,119**	1,624	–	1,624
Investment management fees	4	**(200)**	**(601)**	**(801)**	(190)	(571)	(761)
Other expenses	5	**(270)**	**–**	**(270)**	(289)	–	(289)
Foreign exchange rate (cost)/gain movement	5	**(2)**	**–**	**(2)**	2	–	2
Return/(loss) on ordinary activities before tax		**535**	**(859)**	**(324)**	1,147	3,509	4,656
Tax on ordinary activities	7	**–**	**–**	**–**	–	–	–
Return/(loss) attributable to shareholders		**535**	**(859)**	**(324)**	1,147	3,509	4,656
Basic and diluted return/(loss) per share (pence)*	9	**0.27**	**(0.43)**	**(0.16)**	0.58	1.77	2.35

* *excluding treasury shares*

The accompanying notes on pages 40 to 54 form an integral part of these Financial Statements.

The total column of this Income statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with The Association of Investment Companies' Statement of Recommended Practice.

All revenue and capital items in the above statement derive from the continuing operations of the Company.

The Company has only one class of business and derives its income from investments made in shares and securities and from bank deposits.

There are no recognised gains or losses other than the results for the year disclosed above. Accordingly a Statement of total recognised gains and losses has not been prepared.

The difference between the reported profit/(loss) on ordinary activities before tax and the historical cost profit/(loss) is due to the fair value movements on investments. As a result, a note on historical cost profits and losses has not been prepared.

Balance sheet

	Note	31 December 2014 £'000	31 December 2013 £'000
Fixed asset investments	10	**38,055**	33,904
Current assets			
Trade and other debtors	12	**473**	801
Current asset investments	12	**150**	3,750
Cash at bank and in hand	16	**798**	1,225
		1,421	5,776
Creditors: amounts falling due within one year	13	**(535)**	(418)
Net current assets		**886**	5,358
Net assets		**38,941**	39,262
Capital and reserves			
Called up share capital	14	**2,265**	2,099
Share premium		**3,444**	82
Capital redemption reserve		**11**	–
Investment holding reserve		**3,981**	1,711
Other distributable reserve		**29,240**	35,370
Total equity shareholders' funds		**38,941**	39,262
Basic and diluted net asset value per share (pence)*	15	**19.31**	20.45

* *excluding treasury shares*

The accompanying notes on pages 40 to 54 form an integral part of these Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 27 March 2015 and were signed on its behalf by:

Robin Field
Chairman

Company number: 03139019

Reconciliation of movements in shareholders' funds

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Investment holding reserve £'000	Other distributable reserve £'000	Total £'000
As at 31 December 2013	**2,099**	**82**	**–**	**1,711**	**35,370**	**39,262**
Loss for the year	**–**	**–**	**–**	**(279)**	**(45)**	**(324)**
Transfer of previously unrealised losses on disposal of investments	**–**	**–**	**–**	**2,549**	**(2,549)**	**–**
Purchase of shares for cancellation	**(11)**	**–**	**11**	**–**	**(214)**	**(214)**
Purchase of own shares into treasury	**–**	**–**	**–**	**–**	**(1,297)**	**(1,297)**
Issue of equity (net of costs)	**177**	**3,362**	**–**	**–**	**–**	**3,539**
Net dividends paid	**–**	**–**	**–**	**–**	**(2,025)**	**(2,025)**
At 31 December 2014	**2,265**	**3,444**	**11**	**3,981**	**29,240**	**38,941**
At 31 December 2012	2,097	27	–	(2,569)	39,275	38,830
Return for the year	–	–	–	4,097	559	4,656
Transfer of previously unrealised losses on disposal of investments	–	–	–	183	(183)	–
Purchase of own shares into treasury	–	–	–	–	(2,317)	(2,317)
Issue of equity (net of costs)	2	33	–	–	–	35
Surplus of accrued merger costs	–	22	–	–	–	22
Net dividends paid	–	–	–	–	(1,964)	(1,964)
At 31 December 2013	2,099	82	–	1,711	35,370	39,262

The accompanying notes on pages 40 to 54 form an integral part of these Financial Statements.

Unrealised gains and losses arising on investments held at fair value are transferred to the investment holding reserve.

The total reserves available for distribution are £29,240,000 (2013: £35,370,000).

Cash flow statement

	Note	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Net cash flow from operating activities	17	**240**	483
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(8,353)**	(4,508)
Disposal of fixed asset investments		**3,899**	680
Cash received from investments previously sold or written off		**30**	420
Net cash flow from investing activities		**(4,424)**	(3,408)
Management of liquid resources			
Purchase of current asset investments		**–**	(250)
Disposal of current asset investments		**3,750**	1,926
Net cash flow from liquid resources		**3,750**	1,676
Equity dividends paid (net of costs of issuing shares under the Dividend Reinvestment Scheme and unclaimed dividends)*		**(1,932)**	(1,906)
Net cash flow before financing		**(2,366)**	(3,155)
Financing			
Issue of share capital (net of costs)	14	**3,450**	–
Purchase of own shares (including costs)	14	**(1,511)**	(2,317)
Net cash flow from financing		**1,939**	(2,317)
Cash flow in the year	16	**(427)**	(5,472)

The accompanying notes on pages 40 to 54 form an integral part of these Financial Statements.

* The equity dividends paid shown in the cash flow are different to the dividends posted to reserves due to the release of dividend creditors recoverable by the Company and the non-cash effect of the Dividend Reinvestment Scheme.

Notes to the Financial Statements

1. Accounting policies

A summary of the principal accounting policies which have been applied consistently in the current and in prior periods, is set out below.

Basis of accounting

The Financial Statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable UK law and accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") issued by The Association of Investment Companies ("AIC") in January 2009. The accounts are prepared on a going concern basis.

Consolidation

As permitted by FRS 2 "Accounting for Subsidiary Undertakings", holdings in excess of 50% of the equity of a portfolio company may be excluded from consolidation where the holding is held exclusively for subsequent resale.

The results of UniServity Limited, where the Company holds in excess of 50% of that company's equity are, therefore, excluded from consolidation as the interest in UniServity Limited is held exclusively for subsequent resale and has not previously been consolidated.

Fixed asset investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment policy, and information about the portfolio is provided internally on that basis to the Board.

Upon initial recognition (using trade date accounting) investments are designated by the Company as 'at fair value through profit or loss' and are included at their initial fair value, which is cost (excluding expenses incidental to the acquisition which are written off to the Income statement).

Subsequently, the investments are valued at 'fair value', which is measured as follows:

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;

- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the IPEVCV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate a diminution include:

    - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;

    - a significant adverse change either in the portfolio company's business or in the technological market, economic, legal or regulatory environment in which the business operates; or

    - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

In accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity as part of an investment portfolio are not accounted for using the equity method. In these circumstances the investment is accounted for according to FRS 26 "Financial instruments Recognition and Measurement" and measured at fair value through profit and loss.

Current asset investments

Contractual future contingent receipts on disposal of fixed asset investments held as current assets are designated at fair value through profit or loss and are subsequently measured at fair value.

In accordance with FRS 26, fixed term deposits used for cash management are designated as fair value through profit or loss. These investments are classified as current asset investments as they are investments held for the short term.

Gains and losses on investments

Gains and losses arising from changes in the fair value of the investments are included in the Income statement for the year as a capital item and are allocated to Investment holding reserves.

Investment income

Dividends receivable on quoted equity shares are recognised on the ex-dividend date. Income receivable on unquoted equity and non-equity shares and loan notes is recognised when the Company's right to receive payment and expect settlement is established. Fixed income returns on non-equity shares and debt securities are recognised on an effective interest rate, provided there is no reasonable doubt that payment will be received in due course.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Investment management fees and other expenses

All expenses, including expenses incidental to the acquisition or disposal of an investment, are accounted for on an accruals basis and are charged wholly to the Income statement except for 75% of management fees which are allocated to capital to the extent that these relate to an enhancement in the value of the investments. This is in line with the Board's expectation that over the long term 75% of the Company's investment returns will be in the form of capital gains.

Costs associated with the issue of shares are charged to the share premium account. Costs associated with the buy-back of shares are charged to other distributable reserve, which now includes the special reserve to which these costs were previously charged.

Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the Balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds Sterling ("Sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each Balance sheet date, monetary items and non-monetary assets and liabilities that are measured at fair value, which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Exchange differences arising on settlement of monetary items and from retranslating at the Balance sheet date of investments and other financial instruments measured at fair value through profit or loss, and other monetary items, are included in the Income statement. Exchange differences relating to investments and other financial instruments measured at fair value are subsequently included in the Investment holding reserve.

Reserves

Share premium account

This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to other distributable reserve.

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Investment holding reserve

Increases and decreases in the valuation of investments held at the year end against cost are included in this reserve.

Other distributable reserve

This reserve accounts for movements from the revenue column of the Income statement, gains and losses compared to cost on the realisation of investments, expenses charged in accordance with the above policies, the payment of dividends, the buy-back of shares and other non-capital realised movements.

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends by the Company are accounted for in the period in which the dividend is paid or approved at the Annual General Meeting.

Notes to the Financial Statements (continued)

2. (Loss)/gains on investments

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Unrealised (losses)/gains on fixed asset investments held at fair value through profit or loss	**(329)**	4,097
Unrealised gains on current asset investments held at fair value through profit or loss	**50**	–
Unrealised (losses)/gains sub-total	**(279)**	4,097
Realised (losses)/gains on fixed asset investments held at fair value through profit or loss	**(156)**	3
Realised losses on current asset investments held at fair value through profit or loss	**–**	(50)
Realised gains in respect of escrow receipts from previously sold investments and distributions from investments in liquidation	**65**	30
Realised losses subtotal	**(91)**	(17)
	(370)	4,080

3. Investment income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Income recognised on investments held at fair value through profit or loss		
Dividends	**176**	826
Listed fixed interest securities	**–**	76
Interest from loans to portfolio companies	**892**	574
	1,068	1,476
Income recognised on investments measured at amortised cost		
Bank deposit interest	**51**	148
	1,119	1,624

Interest income earned on impaired investments at 31 December 2014 was £nil (2013: £nil).

4. Investment management fees

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Investment management fees charged to revenue	**200**	190
Investment management fees charged to capital	**601**	571
	801	761

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on page 11.

During the year, services with a value of £801,000 (2013: £761,000) and £50,000 (2013: £50,000) were purchased by the Company from Albion Ventures LLP in respect of management and administration fees respectively. At the financial year end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals was £426,000 (2013: £195,000).

Albion Ventures LLP is, from time to time, eligible to receive transaction fees and Directors' fees from portfolio companies. During the year ended 31 December 2014, fees of £294,000 attributable to the investments of the Company were received pursuant to these arrangements (2013: £190,000).

Albion Ventures LLP holds 17,593 shares as a result of fractional entitlements and dissenting shareholders arising from the merger with Kings Arms Yard VCT 2 PLC on 30 September 2011. These shares will be sold for the benefit of the Company at a future date. In addition, Albion Ventures LLP holds a further 25,606 Ordinary shares in the Company.

Notes to the Financial Statements (continued)

5. Other expenses

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Administrative and secretarial services to the Manager	**50**	50
Directors' fees (note 6)	**63**	68
Auditor's remuneration for statutory audit services (excluding VAT)	**22**	24
Legal and professional expenses	**17**	24
Other expenses	**118**	123
	270	289
Foreign exchange cost/(gain)	**2**	(2)
	272	287

6. Directors' fees

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Amount payable to Directors	**67**	70
National insurance	**6**	5
Tax and national insurance provision released for past directors	**(10)**	(7)
	63	68

Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 31 and 32.

7. Tax on ordinary activities

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
UK Corporation tax payable	**–**	–

Reconciliation of profit on ordinary activities to taxation charge

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
(Loss)/return on ordinary activities before taxation	**(324)**	4,656
Tax credit/(charge) on (loss)/profit at the standard UK corporation tax rate of 21.5% (2013: 23.25%)	**70**	(1,082)
Effects of		
Non-taxable (losses)/gains	**(55)**	948
Non-taxable income	**14**	192
Non-deductible expenses	**(1)**	(4)
Unutilised management expenses	**(28)**	(54)
	–	–

The UK government changed the rate of corporation tax from 23% to 21% with effect from 1 April 2014. The effective rate of tax for the year ended 31 December 2014 is 21.49% (91 days at 23% and 275 days at 21%). The tax charge for the year shown in the Income statement is lower than the standard rate of corporation tax for the reasons shown above.

The Company has excess management expenses of £10,047,000 (2013: £9,922,000) that are available for offset against future profits. A deferred tax asset of £2,009,000 (2013: £2,281,000) has not been recognised in respect of those losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

Notes to the Financial Statements (continued)

8. Dividends

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
First dividend of 0.5 pence per share paid on 31 May 2013	**–**	992
Second dividend of 0.5 pence per share paid on 30 September 2013	**–**	979
First dividend of 0.5 pence per share paid on 30 April 2014	**1,017**	–
Second dividend of 0.5 pence per share paid on 31 October 2014	**1,014**	–
Unclaimed dividends returned to Company during the year	**(6)**	(7)
	2,025	1,964

The Directors have declared a first dividend of 0.5 pence per share for the year ending 31 December 2015, which will amount to approximately £1,036,000. This dividend will be paid on 30 April 2015 to shareholders on the register at 10 April 2015.

9. Basic and diluted return/(loss) per share

	Year ended 31 December 2014			Year ended 31 December 2013		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return/(loss) attributable to shareholders (£'000)	**535**	**(859)**	**(324)**	1,147	3,509	4,656
Weighted average shares in issue (excluding treasury shares)		**199,680,249**			198,148,213	
Return/(loss) attributable per equity share (pence)	**0.27**	**(0.43)**	**(0.16)**	0.58	1.77	2.35

The weighted average number of Ordinary shares is calculated excluding the treasury shares of 24,875,000 (2013: 17,880,000).

There are no convertible instruments, derivatives or contingent share agreements in issue so basic and diluted return/(loss) per share are the same.

Notes to the Financial Statements (continued)

10. Fixed asset investments

Summary of fixed asset investments

	31 December 2014 £'000	31 December 2013 £'000
Investments held at fair value through profit or loss		
Unquoted equity	**19,290**	18,349
Unquoted loan stock	**15,575**	11,000
Quoted equity	**3,190**	4,555
	38,055	33,904

	31 December 2014 £'000	31 December 2013 £'000
Opening valuation	**33,904**	25,794
Purchases at cost	**8,223**	4,675
Disposal proceeds	**(3,553)**	(680)
Realised (losses)/gains	**(156)**	3
Movement to current asset investments	**(150)**	–
Movement in loan stock accrued income	**66**	15
Movement in unrealised (losses)/gains	**(279)**	4,097
Closing valuation	**38,055**	33,904
Movement in loan stock accrued income		
Opening accumulated movement in loan stock accrued income	**62**	47
Movement in loan stock accrued income	**66**	15
Closing accumulated movement in loan stock accrued income	**128**	62
Movement in unrealised gains		
Opening accumulated unrealised gains/(losses)	**1,698**	(2,569)
Transfer of previously unrealised gains/(losses) to realised reserve on disposal of investments	**(2,195)**	170
Transfer of previously unrealised losses to realised reserve on investments written off but still held	**4,744**	–
Movement to current asset investments	**100**	–
Movement in unrealised (losses)/gains	**(279)**	4,097
Closing accumulated unrealised gains	**4,069**	1,698
Historical cost basis		
Opening book cost	**32,144**	28,315
Purchases at cost	**8,223**	4,675
Sales at cost	**(6,258)**	(846)
Movement to current asset investments	**(250)**	–
Closing book cost	**33,858**	32,144

Closing cost is net of amounts of £1,196,000 written off in respect of investments still held at balance sheet date.

Notes to the Financial Statements (continued)

10. Fixed asset investments (continued)

Amounts shown as cost represent the acquisition cost in the case of investments made by the Company and/or the valuation attributed to the investments acquired from other VCTs at the dates of merger, plus any subsequent acquisition cost.

Purchases and disposals detailed above may not agree to purchases and disposals in the Cash flow statement due to restructuring of investments, conversion of convertible loan stock and settlement debtors and creditors.

Unquoted investment valuation methodologies

Unquoted investments are valued in accordance with the IPEVCV guidelines as follows:

Valuation Methodologies	**31 December 2014 £'000**	31 December 2013 £'000
Cost reviewed for impairment	**8,797**	5,245
Revenue multiple	**8,564**	7,941
Net assets supported by third party valuation	**7,694**	4,310
Earnings multiple	**6,370**	9,011
Price of recent investment	**2,938**	2,503
Discount to price of recent investment	**502**	339
	34,865	29,349

Third party valuations are prepared by PricewaterhouseCoopers and independent RICS qualified surveyors in full compliance with the RICS Red Book.

Fair value investments had the following movements between valuation methodologies between 31 December 2013 and 31 December 2014.

Change in investment valuation methodology (2013 to 2014)	Value as at 31 December 2014 £'000	Explanatory note
Cost reviewed for impairment to net assets supported by third party valuation	1,797	Third party valuations prepared
Cost reviewed for impairment to revenue multiple	242	More relevant valuation methodology
Cost reviewed for impairment to price of recent investment	179	Investment round has recently taken place

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, the methods used are the most appropriate methods of valuation as at 31 December 2014.

Fair value hierarchy

FRS 29 'Financial Instruments: Disclosures' requires the Company to disclose the inputs to the valuation methods applied to its investments at fair value through profit or loss in a fair value hierarchy according to the following definitions:

Fair value hierarchy	Definition of valuation method
Level 1	Unadjusted quoted (bid) prices applied where an active market exists
Level 2	Inputs to valuation are from observable sources and are directly or indirectly derived from prices
Level 3	Inputs to valuations not based on observable market data

Notes to the Financial Statements (continued)

10. Fixed asset investments (continued)

Fixed asset investments at fair value through profit or loss as at 31 December 2014 are categorised in accordance with FRS 29 as follows:

		31 December 2014		
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Unquoted equity	**–**	**–**	**19,290**	**19,290**
Unquoted loan stock	**–**	**–**	**15,575**	**15,575**
Quoted equity	**3,190**	**–**	**–**	**3,190**
	3,190	**–**	**34,865**	**38,055**

Fixed asset investments at fair value through profit or loss as at 31 December 2013 are categorised in accordance with FRS 29 as follows:

		31 December 2013		
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted equity	–	–	18,349	18,349
Unquoted loan stock	–	–	11,000	11,000
Quoted equity	4,555	–	–	4,555
	4,555	–	29,349	33,904

Level 3 reconciliation	**31 December 2014 £'000**	31 December 2013 £'000
Opening valuation	**29,349**	25,654
Purchases at cost	**8,223**	4,627
Unrealised gains	**778**	3,186
Movement in loan stock accrued income	**66**	15
Transfer to Level 1 (quoted equity)	**–**	(3,743)
Realised net gains on disposal	**(75)**	162
Movement to current asset investments	**(150)**	–
Disposal proceeds	**(3,326)**	(552)
Closing valuation	**34,865**	29,349

FRS 29 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. The valuation methodology applied to 57% of the unquoted portfolio (Level 3) is based on third party independent evidence, price of recent investment and cost reviewed for impairment. The Directors believe that changes to reasonable possible alternative assumptions for the valuation of the remaining part of the portfolio could result in an increase of £1,622,000 or a decrease of £1,530,000 in the valuation of the unquoted investments.

11. Significant holdings

The principal activity of the Company is to select and hold a portfolio of investments in quoted and unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the portfolio company, it will not ordinarily take a controlling interest or become involved in the management. The size and structure of companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement.

The Company has interests of greater than 20% of the nominal value of any class (some of which are non-voting) of the allotted shares in the portfolio companies as at 31 December 2014 as described below.

Company	Class of share	Number of shares held	Proportion of class held	Total voting rights held
Academia Inc	Preferred shares	774,400	23.2%	5.3%
Cluster Seven Ltd	Ordinary shares	5,999,437	28.6%	28.6%
Elateral Group Holdings Limited	Ordinary shares	17,380,462	37.7%	37.7%
Lab M Holdings Limited	A Ordinary shares (voting rights diluted)	2,280,000	60.0%	26.4%
	B Ordinary shares (no voting rights)	600	60.0%	–
	Preferred ordinary shares (no voting rights)	389,940	52.3%	–
Proveca Limited	D Ordinary shares	32,541	35.8%	14.1%
Sift Limited	Ordinary shares	31,984,427	40.2%	40.2%
UniServity Limited	Ordinary shares	2,024,405	93.2%	93.6%
	A Ordinary shares	87,152	100.0%	–
	B Ordinary shares	45,500	100.0%	–

The investments listed above are held as part of an investment portfolio and therefore, as permitted by FRS 9, they are measured at fair value and are not accounted for using the equity method.

As permitted by FRS 2, UniServity Limited, whose holding is in excess of 50% of that company's equity, is excluded from consolidation as the interest in UniServity Limited is held exclusively for subsequent resale and has not previously been consolidated with the Company.

There is a deficit of £309,000 in respect of the aggregate share capital and reserves of UniServity Limited as at 31 July 2014 and a loss after tax of £97,350 for the year then ended. Details of transactions and balances with UniServity Limited are given in note 21. The investment in UniServity Limited has been included at a fair value that is £3,660,000 less than its original cost. No dividends were received during, or are receivable for the year ended 31 December 2014 from UniServity Limited.

12. Trade and other debtors and current asset investments

	31 December 2014 £'000	31 December 2013 £'000
Trade and other receivables	**457**	657
Prepayments and accrued income	**16**	144
	473	801

The Directors consider that the carrying amount of debtors is not materially different to their fair value.

Current asset investments	**31 December 2014 £'000**	31 December 2013 £'000
UniServity Limited	**150**	–
Close Brothers Limited fixed term deposit	**–**	3,500
The Co-operative Bank p.l.c. fixed term deposit	**–**	250
	150	3,750

Notes to the Financial Statements (continued)

13. Creditors: amounts falling due within one year

	31 December 2014 £'000	31 December 2013 £'000
Trade creditors	**246**	13
Accruals	**271**	260
Other creditors	**18**	145
	535	418

The Directors consider that the carrying amount of creditors is not materially different to their fair value.

14. Called up share capital

	31 December 2014 £'000	31 December 2013 £'000
Allotted, issued and fully paid:		
226,503,705 Ordinary shares of 1 penny (2013: 209,877,614)	**2,265**	2,099

Voting rights

201,628,705 Ordinary shares of 1 penny (net of 24,875,000 treasury shares) (2013: 191,997,614).

The Company operates a share buy-back programme, as detailed in the Chairman's statement on page 6. During the year the Company purchased 6,995,000 Ordinary shares (2013: 13,638,000) representing 3% of the issued Ordinary share capital as at 31 December 2014, at a cost of £1,297,000 (2013: £2,317,000), including stamp duty, to be held in treasury. The Company holds a total of 24,875,000 Ordinary shares in treasury, representing 11% of the issued Ordinary share capital as at 31 December 2014. The Company purchased 1,134,000 Ordinary shares (2013: nil) for cancellation representing 0.5% of the issued Ordinary share capital as at 31 December 2014 at a cost of £214,000 (2013: nil), including stamp duty. The shares purchased for treasury and for cancellation were funded from the other distributable reserve.

Under the terms of the Dividend Reinvestment Scheme, the following Ordinary shares of nominal value 1 penny per share were allotted during the year:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Consideration received net of costs (£'000)	Opening market price on allotment date (pence per share)
30 April 2014	218,728	2	19.95	41	19.00
31 October 2014	262,169	3	19.48	49	18.50
	480,897	**5**		**90**	

Notes to the Financial Statements (continued)

14. Called up share capital (continued)

During the period from 1 January 2014 to 31 December 2014, the Company issued the following new Ordinary shares of nominal value 1 penny per share under the Albion VCTs Top Up Offers 2013/2014 and Albion VCT Prospectus Top Up Offers 2013/2014:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Consideration received net of costs (£'000)	Opening market price on allotment date (pence per share)
31 January 2014	78,946	1	19.00	15	18.00
31 January 2014	2,179,282	22	19.20	411	18.00
31 January 2014	2,409,885	24	19.30	452	18.00
5 April 2014	59,305	1	21.00	12	19.00
5 April 2014	64,249	1	21.10	13	19.00
5 April 2014	2,072,451	21	21.20	426	19.00
5 April 2014 (Prospectus)	5,590,448	56	21.20	1,150	19.00
4 July 2014	30,996	–	20.70	6	19.00
4 July 2014	9,615	–	20.80	2	19.00
4 July 2014	136,146	1	20.90	28	19.00
4 July 2014 (Prospectus)	1,809,406	18	20.90	367	19.00
30 September 2014 (Prospectus)	2,838,465	28	20.60	568	19.00
	17,279,194	**173**		**3,450**	

15. Basic and diluted net asset value per share

The basic and diluted net asset value per share as at 31 December 2014 of 19.31 pence (2013: 20.45 pence) is based on net assets of £38,941,000 (2013: £39,262,000) divided by the 201,628,705 shares in issue (net of treasury shares) at that date (2013: 191,997,614).

16. Analysis of changes in cash during the year

	31 December 2014 £'000	31 December 2013 £'000
Opening cash balances	**1,225**	6,697
Net cash flow	**(427)**	(5,472)
Closing cash balances	**798**	1,225

17. Reconciliation of net return on ordinary activities before taxation to net cash flow from operating activities

	31 December 2014 £'000	31 December 2013 £'000
Revenue return on ordinary activities before tax	**535**	1,147
Foreign exchange rate movement	**2**	(2)
Investment management fees allocated to capital	**(601)**	(571)
Movement in accrued loan stock interest	**(66)**	(15)
Decrease/(increase) in debtors	**127**	(80)
Increase in creditors	**243**	4
Net cash flow from operating activities	**240**	483

18. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 14. The Company is permitted to buy back its own shares for cancellation or treasury purposes and this policy is described in more detail in the Chairman's statement.

The Company's financial instruments comprise equity and loan stock investments in unquoted and quoted companies, cash balances and liquid cash instruments and short term debtors and creditors which arise from its operations. The main purpose of these financial instruments is to generate cash flow, revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short term creditors. The Company does not use any derivatives for the management of its Balance sheet.

The principal financial instrument risks arising from the Company's operations are:

- investment (or market) risk (which comprises investment price, foreign currency on investments and cash flow interest rate risk);
- credit risk; and
- liquidity risk.

18. Capital and financial instruments risk management (continued)

The Board regularly reviews and agrees policies for managing each of these risks. There have been no changes in the nature of the risks that the Company has faced during the past year and there have been no changes in the objectives, policies or processes for managing risks during the past year. The key risks are summarised below.

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk in its portfolio in unquoted and quoted investments, details of which are shown on pages 17 and 18. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio company and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment risk.

The Manager and the Board formally review investment risk (which includes market price risk), both at the time of initial investment and at quarterly Board meetings.

The Board monitors the prices at which sales of investments are made to ensure that profits to the Company are maximised and that valuations of investments retained within the portfolio appear sufficiently fair and realistic compared to prices being achieved in the market for sales of unquoted investments.

The maximum investment risk as at the Balance sheet date is the value of the fixed asset investment portfolio which is £38,055,000 (2013: £33,904,000). Fixed asset investments form 98% of the net asset value as at 31 December 2014 (2013: 86%).

More details regarding the classification of fixed asset investments are shown in note 10.

Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. As a venture capital trust the Company invests in unquoted companies in accordance with the investment policy set out on page 8. The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual holdings. Furthermore, new unquoted investments are often made with up to two-thirds of the investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. The Directors monitor the Manager's compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

Valuations are based on the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV guidelines. Details of the sectors in which the Company is currently invested are shown in the pie chart in the Strategic report on page 9.

As required under FRS 29 "Financial Instruments: Disclosures", the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed asset investment portfolio is sensitive to a 10% change based on the current economic climate. The impact of a 10% change has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and future expectations.

The sensitivity of a 10% increase or decrease in the valuation of the fixed asset investment portfolio (keeping all other variables constant) would increase or decrease the net asset value and return for the year by £3,806,000 (2013: £3,390,000).

Foreign currency risk

Foreign currency risk is the risk of exposure to movements in foreign exchange rates relative to sterling.

The majority of the Company's assets are denominated in sterling; however, the Company is exposed to US dollars through its investment in a US dollar denominated security. No hedging of the currency exposure is currently undertaken. The Manager monitors the Company's exposure and reports to the Board on a regular basis.

Investment and revenue received in currencies other than sterling is converted into sterling on or shortly after the date of investment or receipt of revenue as are any proceeds from the disposal of a foreign currency investment.

As at 31 December 2014, the Company held an investment denominated in US dollars of £3,190,000 (2013: £5,112,000).

During the year to 31 December 2014, sterling appreciated by 5.79% (2013: depreciated by 2.0%) against the US dollar.

Interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise of one percentage point in all interest rates would have increased total return before tax for the year by approximately £171,000 (2013: £195,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been unlikely.

Notes to the Financial Statements (continued)

18. Capital and financial instruments risk management (continued)

The weighted average effective interest rate applied to the Company's fixed rate fixed asset investments during the year was approximately 7.8% (2013: 6.8%). The weighted average period to expected maturity for the fixed rate fixed asset investments is approximately 6.5 years (2013: 8.1 years).

The Company's financial assets and liabilities as at 31 December 2014, denominated in pounds sterling, consist of the following:

	31 December 2014				31 December 2013			
	Fixed rate £'000	**Floating rate £'000**	**Non-interest bearing £'000**	**Total £'000**	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Unquoted equity	**–**	**–**	**19,290**	**19,290**	–	–	18,349	18,349
Quoted equity	**–**	**–**	**3,190**	**3,190**	–	–	4,555	4,555
Unquoted loan stock	**12,387**	**661**	**2,527**	**15,575**	8,238	661	2,101	11,000
Debtors *	**–**	**–**	**457**	**457**	–	–	784	784
Current liabilities	**–**	**–**	**(535)**	**(535)**	–	–	(418)	(418)
Cash and current asset investments	**150**	**798**	**–**	**948**	3,831	1,144	–	4,975
Total net assets	**12,537**	**1,459**	**24,929**	**38,925**	12,068	1,805	25,372	39,245

* The debtors do not reconcile to the Balance sheet as prepayments are not included in the above table.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit risk through its debtors, investment in unquoted loan stock, quoted corporate bonds and through the holding of cash on deposit with banks.

The Manager evaluates credit risk on loan stock instruments prior to investment and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. In the past loan stock may or may not have a fixed or floating charge, which may or may not have been subordinated, over the assets of the portfolio company. However, for new investments, typically loan stock instruments will have a first fixed charge or a fixed and floating charge over the assets of the portfolio company in order to mitigate the gross credit risk.

The Manager receives management accounts from portfolio companies and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment specific credit risk.

The Manager and the Board formally review credit risk (including debtors) and other risks, both at the time of initial investment and at quarterly Board meetings.

The Company's total gross credit risk at 31 December 2014 was limited to £15,575,000 (2013: £11,000,000) of unquoted loan stock instruments, £798,000 (2013: £1,225,000) cash on deposit with banks and £457,000 (2013: £784,000) of other debtors.

The Company does not hold any assets as the result of the enforcement of security during the year and believes that the carrying values for past due assets are covered by the value of security held for these loan stock investments.

As at the Balance sheet date, cash and liquid investments held by the Company are held with the NatWest Bank plc, Scottish Widows Bank plc (part of Lloyds Banking Group plc), Barclays Bank plc and UBS Wealth Management AG. Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to regulatory supervision, with high credit ratings assigned by international credit-rating agencies.

The credit profile of unquoted loan stock is described under liquidity risk below.

Liquidity risk

Liquid assets are held as cash on current account, deposit or short term money market accounts or similar instruments. Under the terms of its Articles, the Company has the ability to borrow an amount equal to its adjusted capital and reserves of the latest published audited Balance sheet.

The Company has no committed borrowing facilities as at 31 December 2014 (2013: £nil) and had cash of £798,000 (2013: £1,225,000), with the intention to raise £6 million from its current fundraising, plus current asset investments of £150,000 (2013: £3,750,000). Against this the Company has an investment commitment as at 31 December 2014 of £923,000 (2013: £2,205,000).

Notes to the Financial Statements (continued)

18. Capital and financial instruments risk management (continued)

There are no externally imposed capital requirements other than the minimum statutory share capital requirements for public limited companies.

The main cash outflows are for new investments, the buy-back of shares and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. The Company's financial liabilities at 31 December 2014 are short term in nature and total £534,000 (2013: £418,000).

The carrying value of loan stock investments analysed by expected maturity dates is as follows:

	31 December 2014				31 December 2013			
Redemption date	**Fully performing loan stock £'000**	**Past due loan stock £'000**	**Impaired loan stock £'000**	**Total £'000**	Fully performing loan stock £'000	Past due loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	**1,907**	**1,195**	**–**	**3,102**	1,882	–	–	1,882
1-2 years	**296**	**–**	**–**	**296**	420	–	–	420
2-3 years	**1,217**	**–**	**–**	**1,217**	1,033	–	–	1,033
3-5 years	**4,771**	**–**	**–**	**4,771**	2,376	–	–	2,376
5 + years	**5,917**	**272**	**–**	**6,189**	4,354	935	–	5,289
Total	**14,108**	**1,467**	**–**	**15,575**	10,065	935	–	11,000

Loan stock can be past due as a result of interest or capital not being paid in accordance with contractual terms. This includes:

- loan stock valued at £1,145,000 yielding an average of 12% which has interest past due by less than one year; and
- loan stock valued at £322,000 with interest past due by less than 20 months.

In view of the factors identified above, the Board considers that the Company is subject to low liquidity risk.

Fair values of financial assets and financial liabilities

All of the Company's financial assets and liabilities as at 31 December 2014, stated at fair value as determined by the Directors. There are no financial liabilities other than short term trade and other payables. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year and that the Company is subject to low financial risk as a result of having nil gearing and positive cash balances.

19. Commitments, contingencies and guarantees

As at 31 December 2014, the Company had the following financial commitments totalling £923,000 (2013: £2,205,000), which are expected to be invested during the next 12 months:

- £550,000 Chonais Holdings Limited;
- £104,000 Green Highland Renewables (Ledgowan) Limited;
- £95,000 Haemostatix Limited;
- £73,000 MyMeds&Me Limited;
- £56,000 Proveca Limited;
- £37,000 Cisiv Limited; and
- £8,000 Dragon Hydro Limited.

There were no contingent liabilities or guarantees given by the Company as at 31 December 2014 (2013: £nil).

Notes to the Financial Statements (continued)

20. Post balance sheet events

Since the year end, the Company made the following investments:

- Investment of £550,000 in Chonais Holdings Limited;
- Investment of £104,000 in Green Highland Renewables (Ledgowan) Limited;
- Investment of £55,000 in Haemostatix Limited;
- Investment of £53,000 in Regenerco Renewable Energy Limited;
- Investment of £24,000 in AVESI Limited;
- Investment of £20,000 in Cisiv Limited;
- Investment of £20,000 in Silent Herdsman Holdings Limited; and
- Disposal of £225,000 from the sale of Orchard Portman Group (Taunton Hospital Limited)

Albion VCTs Prospectus Top Up Offers 2014/2015

On 17 November 2014 the Company announced the publication of a prospectus in relation to an offer for subscription for new Ordinary shares. A Securities Note, which forms part of the prospectus, has been sent to shareholders.

A copy of the prospectus may be obtained from www.albion-ventures.co.uk.

The following Ordinary shares of nominal value 1 penny per share were allotted under the Offers after 31 December 2014:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Consideration received (net of costs) (£'000)	Opening market price on allotment date (pence per share)
30 January 2015	3,630,710	36	19.90	708	18.00
30 January 2015	2,026,810	20	20.00	395	18.00
	5,657,520			**1,103**	

21. Related party transactions

Albion Ventures LLP, the Company's Manager and Company Secretary did not receive any monitoring or arrangement fees from UniServity Limited during the year (2013: £16,000).

Kings Arms Yard VCT PLC received loan stock interest of £10,000 (2013: £5,000) from UniServity Limited during the year. Details of the holding in UniServity Limited can be found in notes 11 and 12.

There are no other related party transactions or balances requiring disclosure.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Kings Arms Yard VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 14 May 2015 at 11.00am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 7 will be proposed as ordinary resolutions and numbers 8 to 11 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 December 2014 together with the report of the Directors and Auditor.

2. To approve the Directors' remuneration report for the year ended 31 December 2014.

3. To re-elect Robin Field as a Director of the Company.

4. To appoint BDO LLP as Auditor of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.

5. To authorise the Directors to agree the Auditor's remuneration.

Special Business

6. **Continuation as a VCT**

   To continue life of the Company as a venture capital trust.

7. **Authority to allot shares**

   That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot Ordinary shares of nominal value 1 penny per share in the Company up to a maximum aggregate nominal amount of £464,322 provided that this authority shall expire 18 months from the date that this resolution is passed, or, if earlier, the conclusion of the next Annual General Meeting of the Company, but so that the Company may, before the expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if the authority had not expired.

8. **Authority for the disapplication of pre-emption rights**

   That, subject to and conditional on the passing of resolution number 7, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 7 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with an offer of such securities by way of rights issue;

   (b) pursuant to any Dividend Reinvestment Scheme introduced or operated by the Company; and

   (c) otherwise than pursuant to paragraphs (a) and (b) above, up to an aggregate nominal amount of £464,322.

   This authority shall expire 18 months from the date that this resolution is passed or, if earlier, the conclusion of the next Annual General Meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

   This power applies in relation to a sale of treasury shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 7" were omitted in relation to such a sale.

   In this resolution, "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or legal or practical issues under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, or any other matter.

Notice of Annual General Meeting (continued)

9. **Authority to purchase own shares**
   That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 1 penny each in the capital of the Company ("Ordinary shares"), on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 727 of the Act, provided that:

   (a) the maximum aggregate number of shares hereby authorised to be purchased is 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;

   (b) the minimum price, exclusive of any expenses, which may be paid for a share shall be 1 penny;

   (c) the maximum price, exclusive of any expenses, which may be paid for a share shall be an amount equal to the higher of (a) 105% of the average of the middle market quotations for the share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the date on which the share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;

   (d) the authority hereby conferred shall, unless previously revoked, varied or renewed, expire 18 months from the date that this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting; and

   (e) the Company may enter into a contract or contracts to purchase shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

   Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), Ordinary shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 9 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

10. **Authority to sell treasury shares**
    That the Directors be empowered to sell treasury shares at the higher of the prevailing current share price and the price bought in at.

11. **Notice of general meetings**
    Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (Annual General Meetings will continue to be held on at least 21 clear days' notice).

    Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings, other than an Annual General Meeting, on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability resolution 11 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

By order of the Board

Albion Ventures LLP
Company Secretary

Registered office
1 King's Arms Yard
London, EC2R 7AF
27 March 2015

Kings Arms Yard VCT PLC is registered in England and Wales with company number 03139019

Notice of Annual General Meeting (continued)

Notes

1. Members entitled to attend, speak and vote at the Annual General Meeting ("AGM") may appoint a proxy or proxies (who need not be a member of the Company) to exercise these rights in their place at the meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. Proxies may only be appointed by:

   • completing and returning the Form of Proxy enclosed with this Notice to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ;

   • going to www.investorcentre.co.uk and following the instructions provided there; or

   • by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

   Return of the Form of Proxy will not preclude a member from attending the meeting and voting in person. A member may not use any electronic address provided in the Notice of this meeting to communicate with the Company for any purposes other than those expressly stated.

   To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 11.00am on 12 May 2015.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 ('the Act') to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

   The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 11.00am on 12 May 2015 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this AGM and any adjournment(s) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 11.00am on 12 May 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

6. Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Company's registered office during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the Articles of Association will be available for inspection at the Company's registered office from the date of this Notice until the conclusion of the meeting and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.

Notice of Annual General Meeting (continued)

7. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.
8. A copy of this Notice, and other information regarding the AGM, as required by section 311A of the Act, is available from www.albion-ventures.co.uk under the "Our Funds" section.
9. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting, but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
10. As at 25 March 2015 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital comprises 232,161,225 Ordinary shares carrying one vote each. The Company also holds 24,875,000 Ordinary shares in treasury. Therefore the total voting rights in the Company as at 25 March 2015 are 207,286,225.

Merger history

February 1996	Quester VCT PLC (QVCT) launched
June 2005	Quester VCT 2 PLC (QVCT2) and Quester VCT 3 PLC (QVCT3) merged into QVCT
June 2008	All Quester names changed to SPARK QVCT became SPARK VCT plc (SVCT) Quester VCT 4 PLC (QVCT4) became SPARK VCT 2 plc (SVCT2) Quester VCT 5 PLC (QVCT5) became SPARK VCT 3 plc (SVCT3)
November 2008	SVCT3 merged into SVCT2
January 2011	Albion Ventures became Manager
February 2011	All SPARK names changed to Kings Arms Yard SVCT became Kings Arms Yard VCT PLC (KAY) SVCT2 became Kings Arms Yard VCT 2 PLC (KAY2)
September 2011	KAY2 merged into KAY

Financial summary for previous funds (unaudited)

	31 December 2014 (pence per share)	31 December 2013 (pence per share)	31 December 2012 (pence per share)
Net asset value of Kings Arms Yard VCT PLC	**19.31**	20.45	18.90
Dividends paid to shareholders of Kings Arms Yard VCT PLC			
Dividends paid during the year	**1.00**	1.00	1.00
Cumulative dividend paid to 31 December 2014	**62.33**	61.33	60.33
Total net asset value return (1) per 100p invested to shareholders of Kings Arms Yard VCT PLC (formerly SPARK VCT plc, Quester VCT PLC)	**81.64**	81.78	79.23
Total net asset value return including tax benefits (2)	**101.64**	101.78	99.23
Total net asset value return to former shareholders of:			
Quester VCT 2 PLC, per 100p invested in shares of that company			
Total net asset value return	**67.74**	67.88	65.27
Total net asset value return including tax benefits (2)	**87.74**	87.88	85.27
Quester VCT 3 PLC, per 100p invested in shares of that company			
Total net asset value return	**41.33**	41.47	38.38
Total net asset value return including tax benefits (2)	**61.33**	61.47	58.97
Quester VCT 4 PLC (renamed SPARK VCT 2 plc and then Kings Arms Yard VCT 2 PLC), per 100p invested in shares of that company			
Total net asset value return	**37.47**	37.65	34.38
Total net asset value return including tax benefits (2)	**57.47**	57.65	54.38
Quester VCT 5 PLC (renamed SPARK VCT 3 plc), per 100p invested in shares of that company			
Total net asset value return	**48.17**	48.43	43.66
Total net asset value return including tax benefits (2)	**68.17**	68.43	63.66

(1) Net asset value plus cumulative dividend per share to ordinary shareholders in the Company since the launch of the Company (then called Quester VCT plc) in April 1996.

(2) Return after 20% income tax relief but excluding capital gains deferral.

The total returns stated are applicable only to subscribers of shares at the time of each companies launch. They do not represent the return to subsequent subscribers or purchasers of shares.

Source: Albion Ventures LLP

Dividend history (unaudited)

Dividends paid by the previous funds now merged

Dividends paid to shareholders of Kings Arms Yard VCT PLC launched in 1996 (formerly SPARK VCT plc; Quester VCT PLC):

	(pence per share)
31 January 1997	0.937
31 January 1998	2.547
31 January 1999	2.875
31 January 2000	7.110
31 January 2001	26.650
31 January 2002	1.350
28 February 2006	1.250
28 February 2007	3.910
31 December 2007	4.220
31 December 2008	2.810
31 December 2010	5.000
31 December 2011	0.670
31 December 2012	1.000
31 December 2013	1.000
31 December 2014	1.000
Total dividends paid to 31 December 2014	62.329
Net asset value as at 31 December 2014	19.310
Total net asset value return to 31 December 2014	81.639

Quester VCT 2 PLC (QVCT2)

QVCT2 was launched in 1998 and was merged with Kings Arms Yard VCT PLC (formerly SPARK VCT plc and originally Quester VCT PLC) in June 2005 with a share exchange ratio of 1.0249 QVCT shares for each QVCT2 share.

	(pence per share)
28 February 1999	1.000
28 February 2000	3.065
28 February 2001	20.500
28 February 2002	2.000
28 February 2006	1.281
28 February 2007	4.007
31 December 2007	4.325
31 December 2008	2.880
31 December 2010	5.125
31 December 2011	0.687
31 December 2012	1.025
31 December 2013	1.025
31 December 2014	1.025
Total dividends paid to 31 December 2014	47.945
Net asset value as at 31 December 2014	19.791
Total net asset value return to 31 December 2014	67.736

Dividend history (unaudited) (continued)

Quester VCT 3 PLC (QVCT3)

QVCT3 was launched in 2000 and was merged with Kings Arms Yard VCT PLC (formerly SPARK VCT plc and originally Quester VCT PLC) in June 2005 with a share exchange ratio of 0.9816 QVCT shares for each QVCT3 share.

	(pence per share)
28 February 2001	0.750
28 February 2002	1.000
28 February 2003	0.150
28 February 2006	1.227
28 February 2007	3.838
31 December 2007	4.142
31 December 2008	2.758
31 December 2010	4.908
31 December 2011	0.658
31 December 2012	0.982
31 December 2013	0.982
31 December 2014	0.982
Total dividends paid to 31 December 2014	22.377
Net asset value as at 31 December 2014	18.955
Total net asset value return to 31 December 2014	41.332

Quester VCT 4 PLC (QVCT4)

QVCT4 was launched in 2000 and was renamed SPARK VCT 2 plc and then Kings Arms Yard VCT 2 PLC (KAY2). KAY2 merged with Kings Arms Yard VCT PLC (KAY) in September 2011 with a share exchange ratio of 1.2806 KAY shares for each KAY2 share.

	(pence per share)
31 October 2002	1.750
31 October 2003	1.150
31 October 2005	1.000
31 October 2006	1.000
31 December 2007	1.000
31 December 2008	1.000
31 December 2010	1.000
31 December 2011	1.000
31 December 2012	1.281
31 December 2013	1.281
31 December 2014	1.281
Total dividends paid to 31 December 2014	12.743
Net asset value as at 31 December 2014	24.728
Total net asset value return to 31 December 2014	37.471

Dividend history (unaudited) (continued)

Quester VCT 5 PLC (QVCT5)

QVCT5 was launched in 2002 and was renamed SPARK VCT 3 plc and merged with SPARK VCT 2 plc (originally QVCT4) in November 2008 with a share exchange ratio of 1.4613 SVCT2 shares for each SVCT3 share. The merged company was then renamed KAY2. KAY2 merged with Kings Arms Yard VCT PLC (KAY) in September 2011 with a share exchange ratio of 1.2806 KAY shares for each KAY2 share.

	(pence per share)
31 December 2003	0.500
31 December 2004	1.000
31 December 2006	1.000
31 December 2007	1.000
31 December 2010	1.461
31 December 2011	1.461
31 December 2012	1.871
31 December 2013	1.871
31 December 2014	1.871
Total dividends paid to 31 December 2014	12.035
Net asset value as at 31 December 2014	36.136
Total net asset value return to 31 December 2014	48.171

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Kings Arms Yard VCT PLC

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