



## Kings Arms Yard VCT PLC

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# Company information

<b>Company number</b>	03139019
<b>Directors</b>	Robin Field, Chairman Thomas Chambers Martin Fiennes Alan Lamb
<b>Manager, company secretary and registered office</b>	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
<b>Auditor and Taxation adviser</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
<b>Legal adviser</b>	SGH Martineau LLP No 1 Colmore Square Birmingham B4 6AA

Kings Arms Yard VCT PLC is a member of The Association of Investment Companies.

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## 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 8.30 am – 5.30 pm, Mon-Fri, calls may be recorded)  
Website: [www.computershare.co.uk](http://www.computershare.co.uk)

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

## IFA information

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

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

## Investment 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-based portfolio of lower risk, ungeared businesses, principally operating in the healthcare, environmental and leisure sectors (the "Asset-Based 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 lower risk, 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 VCT. 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-Based 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 a Moody's rating of 'A' or above.

## Financial calendar

Financial year end	31 December
Ex-dividend date for second dividend	5 September 2012
Record date for second dividend	7 September 2012
Payment date for second dividend	28 September 2012

## Financial highlights (unaudited)

	<b>Unaudited six months ended 30 June 2012 (pence per share)</b>	Unaudited six months ended 30 June 2011 (pence per share)	Audited year ended 31 December 2011 (pence per share)
Dividends paid	0.50	0.67	0.67
Revenue return/(loss)	–	(0.20)	0.10
Capital return	0.90	0.30	0.70
Net asset value	17.10	16.00	16.70

**The Directors have declared a second dividend of 0.5 pence per share for the year ended 31 December 2012, which will be paid on 28 September 2012 to shareholders on the register on 7 September 2012.**

<b>Total shareholder net asset value return to 30 June 2012:</b>	<b>(pence per share)</b>
Total dividends paid from incorporation to 31 December 2010 (the date Albion Ventures LLP became Manager)	58.66
Dividend paid during the year ended 31 December 2011	0.67
Dividend paid during the six months to 30 June 2012	0.50
<b>Total dividends paid to 30 June 2012</b>	<b>59.83</b>
<b>Net asset value as at 30 June 2012</b>	<b>17.10</b>
<b>Total shareholder net asset value return to 30 June 2012 <sup>(1)</sup></b>	<b>76.93</b>
<b>Total shareholder net asset value return to 30 June 2012 including tax benefits <sup>(2)</sup></b>	<b>96.93</b>

**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 19.**

### Notes

- (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 per cent. initial income tax relief, but excluding capital gains deferral.*

# Chairman's statement

## Introduction

I am pleased to report further progress in repositioning the Company's investment portfolio in accordance with the new investment policy adopted in February 2011.

Despite the confused market conditions, the net asset value has improved and the balance of the portfolio has been shifted further away from early stage unyielding equity holdings towards a more balanced generalist portfolio, including asset backed investments comprising a mixture of equity and loan stock.

## Investment activity

During the period an opportunity was taken to reduce the quoted holding in Celldex Therapeutics Inc. (NASDAQ) at a gain of £51,000 above its carrying value and the entire holding in We7 Limited, the music destination website, was sold at a loss of £102,000 on its carrying value in an overall change of control of that business.

During the same period, investment has been completed in a total of five renewable energy businesses and a well established and profitable pub owning company. In all of these cases the investments include interest bearing loan stock which will provide welcome support to the Company's cash flow.

Meanwhile six smaller follow-on investments were made in selected companies from the legacy investment portfolio where it was considered that these would be justified by eventual realisations.

As a result of the above, progress is being achieved on the rebalancing of the portfolio in line with the investment objective. The asset-based portfolio now forms 14 per cent. of the Company's portfolio of investments. Albion introduced investments have increased from 8 per cent. to 15 per cent. of the net asset value for the six months to 30 June 2012.

## Performance

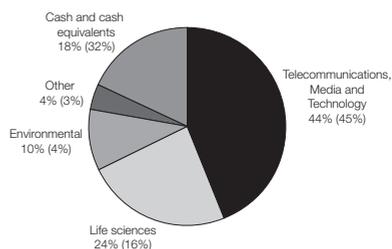
In the six months to 30 June 2012 the net asset value per share has increased from 16.7 pence to 17.1 pence per share and total net asset return per share, following the payment of a 0.5 pence per share dividend in May 2012, has increased from 76.0 pence to 76.9 pence per share. The increase in asset value is overwhelmingly as a result of revaluations following advanced offers for two of the Company's investments.

Once again all unquoted investment holdings have been rigorously reviewed and, where portfolio businesses have failed to meet performance targets or their market conditions have deteriorated, we have not hesitated to reduce their carrying values. In two significant cases, however, offers have been received from substantial and well funded third parties and these have advanced to stages at which we have a strong degree of confidence that transactions will take place. In both cases we have left the valuations at a substantial discount to the offer price.

The movement in net assets is summarised in the table below:

	Investments £'000	Net current assets £'000	Total £'000	Pence per share
Net asset value at 31 December 2011	23,957	11,029	34,986	16.7
Investment acquisitions	3,701	(3,701)	–	–
Investment disposals	(296)	296	–	–
Net (loss)/gain on disposal	(39)	13	(26)	–
Net gain/(loss) on valuation of investments	2,097	(1)	2,096	1.0
Income net of operating expenses	–	(16)	(16)	–
Management fee capitalised	–	(262)	(262)	(0.1)
Dividend paid (net of reinvestment)	–	(1,033)	(1,033)	(0.5)
Net asset value at 30 June 2012	29,420	6,325	35,745	17.1

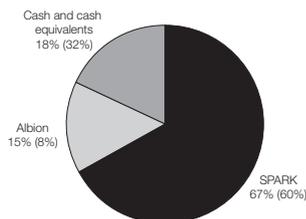
## Split of portfolio valuation by sector as at 30 June 2012 (December 2011)



Source: Albion Ventures LLP

# Chairman's statement continued

## Split of existing investments originally made by SPARK and new investments made by Albion Ventures as at 30 June 2012 (December 2011)



Source: Albion Ventures LLP

### Dividends

As indicated in our Annual Report and Financial Statements of 16 April 2012, the Board has set an annual dividend target of 1 penny per share and this intention has been reinforced by the strong performance to date. Accordingly, a further dividend of 0.5 pence per share will be paid on 28 September 2012 to shareholders on the register on 7 September 2012.

### Venture Capital Trust (VCT) regulations

The Board welcomes the recent confirmation from the European Commission that it has formally approved the proposed increases in the size limits for companies that can qualify for VCT investment. The UK Government can now introduce the changes that it had previously planned to the VCT rules in order that VCTs be permitted to invest in businesses with assets of up to £15 million (currently £7 million), that portfolio companies be allowed to receive up to £5 million of funding from VCTs and similar schemes, and that companies with up to 250 employees (currently 50 employees) may receive VCT funding. While these changes have no immediate effect on the current investment portfolio, they will offer our Managers a wider pool of potential investments. They also reinforce the VCT sector as one of the most attractive tax efficient investment opportunities and an essential source of finance for small and medium sized business.

Portfolio companies directly employ 1,022 people.

### Related party transactions

Details of material related party transactions for the reporting period can be found in note 12 of this Half-yearly Financial Report.

### Share buy-backs

It remains the Company's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. This includes the maintenance of sufficient cash resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention over time for such buy-backs to be in the region of 10 to 15 per cent. discount to net asset value, so far as market conditions and liquidity permit.

### Risks and uncertainties

The principal risk affecting the Company continues to be the vagaries of the UK and global economies, the malaise of which appears no closer to resolution. Investment in small and unquoted companies also carries particular risks of its own. The Company's investment risk is mitigated by the expertise and track record of its Manager and its new investment policy of investing in businesses with no external borrowing and of securing first charges over portfolio companies' assets wherever possible.

Other risks and uncertainties are as described in note 16.

### Outlook

The prospects for growth in the UK economy do not appear to have improved and no significant progress seems to have been made in resolving the major fiscal issues facing Continental Europe. Nevertheless, your Company has made good progress and the Board continues to believe that the current investment policy, with its emphasis on running yield and on asset backing, offers the best prospect of improvement in capital value and of a sustainable long term dividend.

**Robin Field**

Chairman

30 August 2012

# Responsibility statement

The Directors, as listed on page 2 of this Report, are responsible for preparing the Half-yearly Financial Report. The Directors have chosen to prepare this Half-yearly Financial Report for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

In preparing these summarised financial statements for the period to 30 June 2012, we the Directors of the Company, confirm that to the best of our knowledge:

- (a) the summarised set of financial statements has been prepared in accordance with the pronouncement on interim reporting issued by the Accounting Standards Board;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);
- (c) the summarised set of financial statements gives a true and fair view in accordance with UK GAAP of the assets, liabilities, financial position and profit and loss of the Company for the six months ended 30 June 2012 and comply with UK GAAP and Companies Act 2006 and;

- (d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The accounting policies applied to the Half-yearly Financial Report have been consistently applied in current and prior periods and are those applied in the Annual Report and Financial Statements for the year ended 31 December 2011.

This Half-yearly Financial Report has not been audited or reviewed by the Auditor.

By order of the Board

**Robin Field**  
Chairman

30 August 2012

# Portfolio of investments (unaudited)

The following is a summary of fixed asset investments as at 30 June 2012:

	% voting rights	Accounting cost <sup>(1)</sup> £'000	Cumulative movement in value in value £'000	Value £'000	Change in value for the period <sup>(2)</sup> £'000
<b>Asset-based unquoted investments</b>					
The Street by Street Solar Programme Limited	10.0	1,000	14	1,014	14
Alto Prodotto Limited	11.1	1,000	–	1,000	(3)
Regenerco Renewable Energy Limited	7.9	935	–	935	(2)
AVESI Limited	14.8	460	–	460	–
Bravo Inns II Limited	2.8	400	(1)	399	(1)
Greenenerco Limited	8.6	300	–	300	–
<b>Total asset-based unquoted investments</b>		<b>4,095</b>	<b>13</b>	<b>4,108</b>	<b>8</b>
<b>High growth unquoted investments</b>					
Vivacta Limited	13.4	2,104	2,289	4,393	2,411
Elateral Holdings Limited	37.7	2,243	1,574	3,817	–
UniServity Limited	36.6	3,510	(481)	3,029	(830)
Workshare Limited	14.4	2,011	441	2,452	195
Oxford Immunotec Limited	3.5	1,476	557	2,033	557
Cluster Seven Limited	28.6	2,219	(525)	1,694	26
Hilson Moran Holdings Limited	15.0	1,065	89	1,154	88
Sift Limited	40.2	3,265	(2,150)	1,115	(22)
Antenova Limited	12.3	1,543	(581)	962	466
Atego Group Limited	9.3	384	484	868	–
Haemostatix Limited	18.9	1,330	(572)	758	(350)
Academia Networks Limited	5.3	351	383	734	65
Lab M Holdings Limited	26.4	690	(30)	660	165
Celoxica Holdings plc	2.8	405	(33)	372	(33)
Abcodia Limited	6.7	235	–	235	–
Perpetuum Limited	12.9	1,245	(1,035)	210	(397)
Xention Limited	5.9	608	(438)	170	(254)
Symetrica Limited	2.6	152	–	152	–
Xtera Communications Limited	1.3	85	–	85	–
Clear2Pay NV	0.1	129	(59)	70	(59)
TeraView Limited	1.0	1,197	(1,184)	13	–
Oxonica Limited	2.1	185	(185)	–	(3)
<b>Total high growth unquoted investments</b>		<b>26,432</b>	<b>(1,456)</b>	<b>24,976</b>	<b>2,025</b>
<b>Quoted investments</b>					
Celldex Therapeutics Inc. (NASDAQ)		427	(188)	239	110
Allergy Therapeutics plc (AIM)		456	(359)	97	(28)
<b>Total quoted investments</b>		<b>883</b>	<b>(547)</b>	<b>336</b>	<b>82</b>
<b>Total fixed asset investments</b>		<b>31,410</b>	<b>(1,990)</b>	<b>29,420</b>	<b>2,115</b>
Realised loss in current year					(26)
Movement in loan stock accrued interest					(19)
<b>Total gains on investments as per Income Statement</b>					<b>2,070</b>

(1) Amounts shown as accounting 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 Qvester VCT 2 plc and Qvester 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.

(2) After adjustment for additions and disposals.

## Summary income statement (unaudited)

		Unaudited six months ended 30 June 2012			Unaudited six months ended 30 June 2011			Audited year ended 31 December 2011		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	-	2,070	2,070	-	291	291	-	1,257	1,257
Investment income	4	212	-	212	77	-	77	522	-	522
Investment management fees		(88)	(262)	(350)	(181)	-	(181)	(107)	(322)	(429)
Other expenses		(140)	-	(140)	(152)	-	(152)	(290)	-	(290)
<b>(Loss)/return on ordinary activities before tax</b>		<b>(16)</b>	<b>1,808</b>	<b>1,792</b>	(256)	291	35	125	935	1,060
Tax on ordinary activities		-	-	-	-	-	-	-	-	-
<b>(Loss)/return on ordinary activities after tax</b>		<b>(16)</b>	<b>1,808</b>	<b>1,792</b>	(256)	291	35	125	935	1,060
Basic and diluted (loss)/return per share (pence)	6	-	0.90	0.90	(0.20)	0.30	0.10	0.10	0.70	0.80

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2011 and the audited statutory accounts for the year ended 31 December 2011.

The comparative figures for the six months ended 30 June 2011 are prior to the acquisition of the assets and liabilities of Kings Arms Yard VCT 2 PLC in September 2011.

The accompanying notes on pages 13 to 18 form an integral part of this Half-yearly Financial Report.

The total column of this Summary 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 continuing operations. 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 periods disclosed above. Accordingly a Statement of total recognised gains and losses is not required. The difference between the reported return/(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 profit and losses has not been prepared.

## Summary balance sheet (unaudited)

	Note	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
<b>Fixed asset investments</b>		<b>29,420</b>	12,948	23,957
<b>Current assets</b>				
Trade and other debtors		95	472	557
Current asset investments		2,974	989	1,976
Cash at bank and in hand	9	3,853	3,367	8,758
		<b>6,922</b>	4,828	11,291
<b>Creditors: amounts falling due within one year</b>		<b>(597)</b>	(81)	(262)
<b>Net current assets</b>		<b>6,325</b>	4,747	11,029
<b>Net assets</b>		<b>35,745</b>	17,695	34,986
<b>Capital and reserves</b>				
Called-up share capital	7	2,095	5,521	2,095
Share premium		14	155	–
Capital redemption reserve		–	765	–
Special reserve		34,993	18,222	36,945
Investment holding losses		(2,024)	(7,709)	(4,984)
Profit and loss account		667	741	930
<b>Total equity shareholders' funds</b>		<b>35,745</b>	17,695	34,986
<b>Basic and diluted net asset value per share (pence)</b>		<b>17.10</b>	16.00	16.70

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2011 and the audited statutory accounts for the year ended 31 December 2011.

The comparative figures for the six months ended 30 June 2011 are prior to the acquisition of the assets and liabilities of Kings Arms Yard VCT 2 PLC in September 2011.

The accompanying notes on pages 13 to 18 form an integral part of this Half-yearly Financial Report.

These financial statements were approved by the Board of Directors, and authorised for issue on 30 August 2012 and were signed on its behalf by

### Robin Field

Chairman

Company number 03139019

## Summary reconciliation of movements in shareholders' funds (unaudited)

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Investment Holding losses £'000	Profit and loss account £'000	Total £'000
<b>1 January 2012 (audited)</b>	<b>2,095</b>	<b>–</b>	<b>–</b>	<b>36,945</b>	<b>(4,984)</b>	<b>930</b>	<b>34,986</b>
Recognised losses on investments	–	–	–	–	–	(26)	(26)
Realisation of prior years' net recognised losses on investments	–	–	–	–	863	(863)	–
Investment holding gain on valuation of investments	–	–	–	–	2,097	–	2,097
Transfer from special reserve to profit and loss account	–	–	–	(1,951)	–	1,951	–
Capitalised investment management fee	–	–	–	–	–	(262)	(262)
Issue of equity (net of costs)	–	14	–	–	–	–	14
Loss on ordinary activities after taxation	–	–	–	–	–	(16)	(16)
Dividends paid	–	–	–	–	–	(1,047)	(1,047)
<b>As at 30 June 2012 (unaudited)</b>	<b>2,095</b>	<b>14</b>	<b>–</b>	<b>34,993</b>	<b>(2,024)</b>	<b>667</b>	<b>35,745</b>
<b>1 January 2011 (audited)</b>	<b>5,519</b>	<b>150</b>	<b>765</b>	<b>20,524</b>	<b>(9,574)</b>	<b>899</b>	<b>18,283</b>
Realisation of prior years' net recognised losses on investments	–	–	–	–	1,598	(1,598)	–
Transfer from special reserve to profit and loss account	–	–	–	(2,302)	–	2,302	–
Investment holding loss on valuation of investments	–	–	–	–	267	(267)	–
Issue of equity (net of costs)	2	5	–	–	–	–	7
Return on ordinary activities after taxation	–	–	–	–	–	35	35
Dividends paid	–	–	–	–	–	(630)	(630)
<b>As at 30 June 2011 (unaudited)</b>	<b>5,521</b>	<b>155</b>	<b>765</b>	<b>18,222</b>	<b>(7,709)</b>	<b>741</b>	<b>17,695</b>
<b>1 January 2011 (audited)</b>	<b>5,519</b>	<b>150</b>	<b>765</b>	<b>20,524</b>	<b>(9,574)</b>	<b>899</b>	<b>18,283</b>
Recognised gains on Investments	–	–	–	–	–	270	270
Realisation of prior years' net recognised losses on investments	–	–	–	–	3,603	(3,603)	–
Investment holding loss on valuation of investments	–	–	–	–	987	–	987
Transfer from special reserve to profit and loss account	–	–	–	(4,179)	–	4,179	–
Capitalised investment management fee	–	–	–	–	–	(322)	(322)
Shares issued under the Dividend Reinvestment Scheme	2	5	–	–	–	–	7
Shares issued to acquire net assets of Kings Arms Yard VCT 2 PLC	4,953	11,425	–	–	–	–	16,378
Share issue costs	–	(124)	–	–	–	–	(124)
Reduction in share capital and reserves	(8,379)	(11,456)	(765)	20,600	–	–	–
Return on ordinary activities after taxation	–	–	–	–	–	125	125
Dividends paid	–	–	–	–	–	(619)	(619)
<b>As at 31 December 2011 (audited)</b>	<b>2,095</b>	<b>–</b>	<b>–</b>	<b>36,945</b>	<b>(4,984)</b>	<b>930</b>	<b>34,986</b>

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2011 and the audited statutory accounts for the year ended 31 December 2011.

The comparative figures for the six months ended 30 June 2011 are prior to the acquisition of the assets and liabilities of Kings Arms Yard VCT 2 PLC in September 2011.

The accompanying notes on pages 13 to 18 form an integral part of the Half-yearly Financial Report.

The total distributable reserves are £33,636,000 (30 June 2011: £11,254,000; 31 December 2011: £32,891,000), comprising the special reserve and the profit and loss account, less net investment holdings losses.

## Summary cash flow statement (unaudited)

	Note	Unaudited six months ended 30 June 2012 £'000	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
<b>Operating activities</b>				
Dividend income received		–	–	359
Investment income received		150	59	88
Deposit interest received		79	15	60
Investment management fees paid		(175)	(210)	(375)
Administrative expenses paid		(156)	(118)	(337)
<b>Net cash flow from operating activities</b>	8	<b>(102)</b>	<b>(254)</b>	<b>(205)</b>
<b>Taxation</b>				
UK corporation tax recovered/(paid)		–	–	–
<b>Capital expenditure and financial investments</b>				
Purchase of fixed asset investments		(4,522)	(452)	(3,131)
Purchase of current asset investments		(1,993)	(985)	(985)
Disposal of fixed asset investments		365	326	4,235
Disposal of current asset investments		1,976	3,235	3,230
Cash from investments previously sold or written off		403	–	324
<b>Net cash flow from investing activities</b>		<b>(3,771)</b>	<b>2,124</b>	<b>3,673</b>
<b>Equity dividends paid</b> (net of costs of issuing shares under the Dividend Reinvestment Scheme)		<b>(1,032)</b>	<b>(719)</b>	<b>(706)</b>
<b>Net cash flow before financing</b>		<b>(4,905)</b>	<b>1,151</b>	<b>2,762</b>
<b>Financing</b>				
Cash acquired from Kings Arms Yard VCT 2 PLC on Merger		–	–	3,953
Cost of Merger (paid on behalf of the Company and Kings Arms Yard VCT 2 PLC)		–	–	(173)
<b>Net cash flow from financing</b>		<b>–</b>	<b>–</b>	<b>3,780</b>
<b>Cash flow in the period</b>	9	<b>(4,905)</b>	<b>1,151</b>	<b>6,542</b>

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2011 and the audited statutory accounts for the year ended 31 December 2011.

The comparative figures for the six months ended 30 June 2011 are prior to the acquisition of the assets and liabilities of Kings Arms Yard VCT 2 PLC in September 2011.

The accompanying notes on pages 13 to 18 form an integral part of this Half-yearly Financial Report.

The equity dividend paid in the cash flow is different to the dividend disclosed in note 5 due to the non-cash effect of the Dividend Reinvestment Scheme.

# Notes to the summarised financial statements (unaudited)

## 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.

## 2. Basis of accounting

The Financial Statements have been prepared in accordance with the historical cost convention, except for the measurement of fair value of investments, and 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.

### 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 September 2009 International Private Equity and Venture Capital Valuation Guidelines (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.

It is not the Company's policy to exercise control or significant influence over portfolio companies. Therefore, in accordance with the exemptions under FRS 9 "Associates and Joint Ventures", those undertakings in which the Company holds more than 20 per cent., but less than 50 per cent., of the voting share capital of an investment company, and the investment company is not a subsidiary, are not regarded as associated undertakings.

### Current asset investments

In accordance with FRS 26, units held in funds used for cash management are designated as fair value through profit and 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 losses.

# Notes to the summarised financial statements (unaudited) continued

## 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 returns on non-equity shares and debt securities are recognised on a time apportionment basis (including amortisation of any premium or discount to redemption) so as to reflect the effective interest rate, provided there is no reasonable doubt that payment will be received in due course. Income from fixed interest securities and deposit interest is included on an effective interest basis.

## 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 per cent. 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 per cent. 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 the special reserve.

## 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.

The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made for deferred tax.

## 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 transfer to the Investment holding losses.

## 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.

### *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 losses*

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

### *Special reserve*

The reduction in the nominal value of shares, the cancellation of the share premium and capital redemption reserves has created a special reserve that can be used to fund market purchases and subsequent cancellation of own shares, to cover gross realised losses, and for other distributable purposes.

## Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company and payable to equity shareholders are accounted for in the period in which the dividend has been paid or approved by shareholders at an annual general meeting.

# Notes to the summarised financial statements (unaudited) continued

## 3. Gains/(losses) on investments

	<b>Unaudited six months ended 30 June 2012 £'000</b>	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
Unrealised gains on fixed asset investments held at fair value through profit or loss account	<b>2,097</b>	267	993
Unrealised (loss) on current asset investments held at fair value through profit or loss account	<b>(1)</b>	–	–
Unrealised (loss) on deferred consideration held at fair value through profit or loss account	<b>–</b>	–	(6)
	<b>2,096</b>	267	987
Realised (losses)/gains on fixed asset investments held at fair value through profit or loss (includes escrow receipts from previously sold investments and distributions from investments in liquidation)	<b>(26)</b>	24	270
	<b>2,070</b>	291	1,257

## 4. Investment income

	<b>Unaudited six months ended 30 June 2012 £'000</b>	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
<b>Income recognised on investments held at fair value through profit or loss</b>			
Dividends	–	–	359
Listed fixed interest securities	<b>12</b>	–	13
Loan stock, convertible bonds and discounted debt	<b>154</b>	42	67
Other income	<b>2</b>	10	10
	<b>168</b>	52	449
<b>Interest recognised on investments held at amortised cost</b>			
Bank deposit interest	<b>44</b>	25	73
	<b>212</b>	77	522

## 5. Dividends

	<b>Unaudited six months ended 30 June 2012 £'000</b>	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
Final dividend of 0.67 pence per share paid on 24 June 2011	–	739	739
First dividend of 0.5 pence per share paid on 25 May 2012	<b>1,047</b>	–	–
Dividends recovered	<b>–</b>	(109)	(120)
	<b>1,047</b>	630	619

The Directors have declared a second dividend of 0.5 pence per share for the year ending 31 December 2012, which will be paid on 28 September 2012 to shareholders on the register on 7 September 2012.

# Notes to the summarised financial statements (unaudited) continued

## 6. Basic and diluted earnings per share

	<b>Unaudited six months ended 30 June 2012</b>	Unaudited six months ended 30 June 2011	Audited year ended 31 December 2011
	<b>Revenue Capital (16) 1,808</b>	Revenue Capital (256) 291	Revenue Capital 125 935
(Loss)/return attributable to shares (£'000)			
Weighted average shares in issue (excluding treasury shares)	<b>209,487,699</b>	110,371,963	135,360,943
(Loss)/return per share (pence)	<b>- 0.90</b>	(0.20) 0.30	0.10 0.70

There are no convertible instruments, derivatives or contingent share agreements in issue for the Company hence there are no dilution effects to the return per share. The basic return per share is therefore the same as the diluted return per share.

## 7. Share capital

	<b>Unaudited 30 June 2012 £'000</b>	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
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### Allotted, issued and fully paid:

209,566,476 shares of 1 pence each  
(30 June 2011: 110,417,392 shares of 5 pence  
each and 31 December 2011: 209,467,597  
shares of 1 pence each)

<b>2,095</b>	5,521	2,095
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During the period from 1 January to 30 June 2012, the Company issued the following new shares of 1 penny each under the terms of the Dividend Reinvestment Scheme Circular dated 19 April 2011:

<b>Date of allotment</b>	<b>Number of shares issued</b>	<b>Issue price (pence per share)</b>	<b>Mid market price on issue date (pence per share)</b>	<b>Net proceeds £'000</b>
25 May 2012	98,879	16.2	10.25	15

No shares were bought back by the Company during the six months to 30 June 2012.

## 8. Reconciliation of revenue return/(loss) on ordinary activities before taxation to net cash flow from operating activities

	<b>Unaudited six months ended 30 June 2012 £'000</b>	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
Revenue (loss)/return on ordinary activities before tax	<b>(16)</b>	35	125
Capitalised investment management fees	<b>(262)</b>	(291)	(322)
Movement in accrued loan stock interest	<b>(19)</b>	-	7
Decrease in debtors	<b>27</b>	28	113
Increase/(decrease) in creditors	<b>168</b>	(26)	(128)
Net cash flow from operating activities	<b>(102)</b>	(254)	(205)

# Notes to the summarised financial statements (unaudited) continued

## 9. Analysis of change in cash during the period

	<b>Unaudited six months ended 30 June 2012 £'000</b>	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
Opening cash balances	<b>8,758</b>	2,216	2,216
Net cash flow	<b>(4,905)</b>	1,151	6,542
Closing cash balances	<b>3,853</b>	3,367	8,758

## 10. Commitments, contingencies and guarantees

As at 30 June 2012, the Company was committed to making investments of £166,000 in respect of further funding to be provided to existing portfolio companies (30 June 2011: £nil, 31 December 2011: £148,000).

## 11. Post balance sheet events

Since 30 June 2012, the Company has completed the following material transactions:

- July 2012: investment of £131,000 in Atego Limited; and
- August 2012: investment of £247,000 in Dragon Hydro Limited

## 12. Related party disclosures

The Manager, Albion Ventures LLP, could be considered to be a related party by virtue of the fact that it is party to an Investment management agreement from the Company (details disclosed on page 19 of the Annual Report and Financial Statements for the year ended 31 December 2011).

During the period, services of a total value of £375,000 (30 June 2011 and 31 December 2011: £nil), were purchased by the Company from Albion Ventures LLP; this includes £350,000 for investment management fees and £25,000 for administration fees. At the financial period end, the amount due to Albion Ventures LLP in respect of these services disclosed within accruals and deferred income was £175,000 (30 June 2011 and 31 December 2011: £nil).

Albion Ventures LLP holds a total of 7,487 shares in the Company as a result of 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.

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

## 13. Going concern

The Board's assessment of liquidity risk remains unchanged and is detailed on page 44 of the Annual Report and Financial Statements for the year ended 31 December 2011.

The Company has significant cash and liquid resources, and the major cash outflows of the Company (namely investments 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 in accordance with "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", published by the Financial Reporting Council.

## 14. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 434 of the Companies Act 2006 for the periods ended 30 June 2012 and 30 June 2011, and is unaudited. The information for the year ended 31 December 2011 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 and is derived from the statutory accounts for that financial year, which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

# Notes to the summarised financial statements (unaudited) *continued*

## 15. Publication

This Half-yearly Financial Report is being sent to shareholders and copies will be made available to the public at the registered office of the Company, Companies House, the National Storage Mechanism and also electronically at [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) under the 'Our Funds' section by clicking on Kings Arms Yard VCT PLC, and looking in the Financial Reports and Circulars section for the Half-yearly Financial Report to 30 June 2012.

# Financial summary for the Company and for previous funds

	<b>Unaudited six months ended 30 June 2012 (pence per share)</b>	Unaudited six months ended 30 June 2011 (pence per share)	Audited year ended 31 December 2011 (pence per share)
<b>Net asset value of the Company</b>	<b>17.10</b>	16.00	16.70
<b>Dividends paid to shareholders of the Company</b>			
Dividends paid during the period	<b>0.50</b>	0.67	0.67
Cumulative dividends paid to 30 June 2012	<b>59.83</b>	59.33	59.33
<b>Total net asset value return<sup>(1)</sup> (per 105p invested)</b>			
To shareholders of the Company (formerly SPARK VCT plc; Quester VCT plc)	<b>76.93</b>	75.33	76.03
Total net asset value return including tax benefits <sup>(2)</sup>	<b>96.93</b>	95.33	97.03
<b>Total net asset value return to former shareholders of:</b>			
<b>Quester VCT 2 plc, per 100p invested in shares of that company</b>			
Total net asset value return	<b>62.91</b>	61.27	61.99
Total net asset value return including tax benefits <sup>(2)</sup>	<b>82.91</b>	81.27	81.99
<b>Quester VCT 3 plc, per 100p invested in shares of that company</b>			
Total net asset value return	<b>36.71</b>	35.14	35.82
Total net asset value return including tax benefits <sup>(2)</sup>	<b>56.71</b>	55.14	55.82
<b>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</b>			
Total net asset value return	<b>31.44</b>	30.00	30.29
Total net asset value return including tax benefits <sup>(2)</sup>	<b>51.44</b>	50.00	50.29
<b>Quester VCT 5 plc (renamed SPARK VCT 3 PLC), per 100p invested in shares of that company</b>			
Total net asset value return	<b>28.96</b>	37.26	27.81
Total net asset value return including tax benefits <sup>(2)</sup>	<b>48.96</b>	57.26	47.81

(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 per cent. initial income tax relief, but excluding capital gains deferral.

The total returns stated are applicable only to shareholders 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

## Merger history for the Company and for previous funds

<b>June 2005</b>	QVCT2 and QVCT3 merged into QVCT
<b>June 2008</b>	All Quester names changed to SPARK: QVCT became Spark VCT plc (SVCT) QVCT4 became Spark VCT 2 plc (SVCT2) QVCT5 became Spark VCT 3 plc (SVCT3)
<b>November 2008</b>	SVCT3 merged into SVCT2
<b>January 2011</b>	Albion Ventures LLP became Manager
<b>February 2011</b>	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)
<b>September 2011</b>	KAY2 merged into KAY

## Dividend history for the Company and for previous funds

### Kings Arms Yard VCT PLC (“KAY”)

Dividends paid to shareholders of KAY launched in 1996 (formerly SPARK VCT plc (“SVCT”) and originally Quester VCT PLC (“QVCT”)).

	(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	0.500
<b>Total dividends paid to 30 June 2012</b>	<b>59.829</b>
<b>Net asset value as at 30 June 2012</b>	<b>17.100</b>
<b>Total net asset value return to 30 June 2012</b>	<b>76.929</b>

# Dividend history for the Company and for previous funds

continued

## Quester VCT 2 PLC ("QVCT2")

QVCT2 was launched in 1998 and was merged with KAY (formerly SPARK VCT plc ("SVCT")) and originally Quester VCT PLC ("QVCT") 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	0.512
<b>Total dividends paid to 30 June 2012</b>	<b>45.382</b>
<b>Net asset value as at 30 June 2012</b>	<b>17.526</b>
<b>Total net asset value return to 30 June 2012</b>	<b>62.908</b>

## Quester VCT 3 PLC ("QVCT3")

QVCT3 was launched in 2000 and was merged with KAY (formerly SPARK VCT plc ("SVCT")) and originally Quester VCT PLC ("QVCT") 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	0.491
<b>Total dividends paid to 30 June 2012</b>	<b>19.922</b>
<b>Net asset value as at 30 June 2012</b>	<b>16.785</b>
<b>Total net asset value return to 30 June 2012</b>	<b>36.707</b>

# Dividend history for the Company and for previous funds

continued

## Quarter VCT 4 PLC ("QVCT4")

QVCT4 was launched in 2000 and was renamed SPARK VCT 2 plc ("SVCT2") 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	0.640
<b>Total dividends paid to 30 June 2012</b>	<b>9.540</b>
<b>Net asset value as at 30 June 2012</b>	<b>21.898</b>
<b>Total net asset value return to 30 June 2012</b>	<b>31.438</b>

## Quarter VCT 5 PLC ("QVCT5")

QVCT5 was launched in 2002 and was renamed SPARK VCT 3 plc ("SVCT3") and merged with SPARK VCT 2 plc ("SVCT2") (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 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 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	0.640
<b>Total dividends paid to 30 June 2012</b>	<b>7.062</b>
<b>Net asset value as at 30 June 2012</b>	<b>21.898</b>
<b>Total net asset value return to 30 June 2012</b>	<b>28.960</b>



