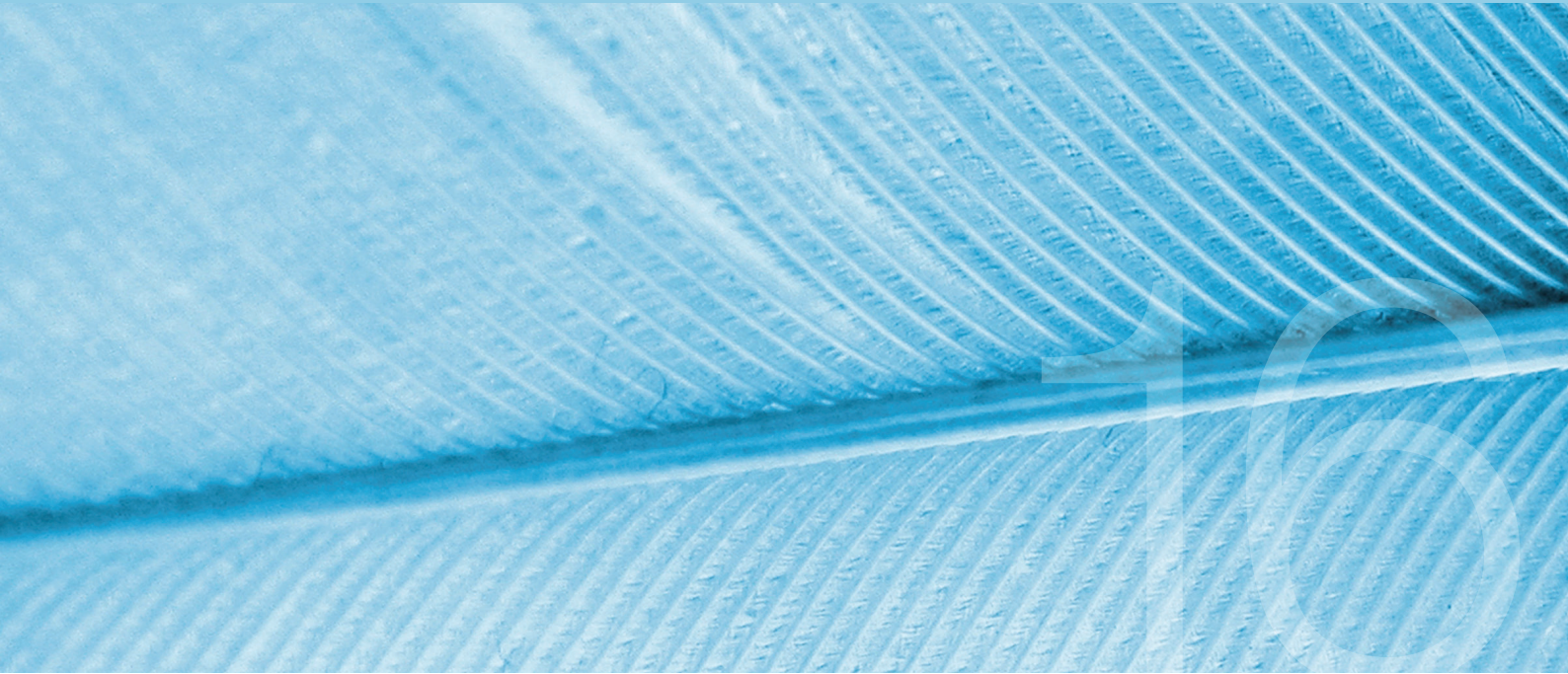




Kings Arms Yard VCT PLC

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Company information

Company number	03139019
Directors	R A Field, Chairman T W Chambers M G Fiennes
Country of incorporation	United Kingdom
Legal form	Public Limited Company
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	Philip Hare & Associates 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: 0370 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 objective

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% 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 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 similar instruments with banks or other financial institutions with high credit ratings assigned by international credit rating agencies.

Under its Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of its adjusted share capital and reserves.

Financial calendar

Record date for first dividend	7 April 2017
Payment date of first dividend	28 April 2017
Annual General Meeting	11am on 17 May 2017
Announcement of half-yearly results for the six months ending 30 June 2017	August 2017
Payment date of second dividend (subject to Board approval)	31 October 2017

Financial highlights

21.4p

Net asset value per share as at 31 December 2016.

2.3p

Basic and diluted total return per share.

20.0p

Mid-market share price as at 31 December 2016.

1.0p

Total tax free dividends per share paid in the year to 31 December 2016.

0.5p

First tax free dividend per share declared for the year to 31 December 2017 payable on 28 April 2017.

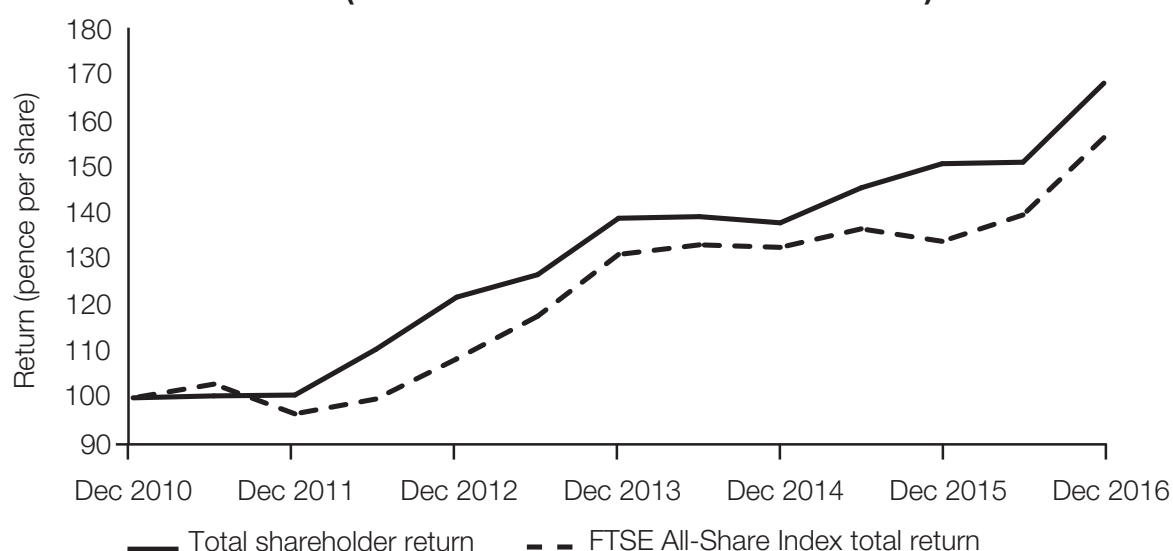
5.0%

Tax free dividend yield on share price (dividend per annum/share price as at 31 December 2016).

11.5%

Total return on opening NAV per share as at 31 December 2016.

**Total shareholder return relative to FTSE All-Share Index total return
from appointment of Albion Ventures LLP on 1 January 2011 to 31 December 2016
(in both cases with dividends reinvested)**



Source: Albion Ventures LLP

Methodology: Total shareholder return, 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.

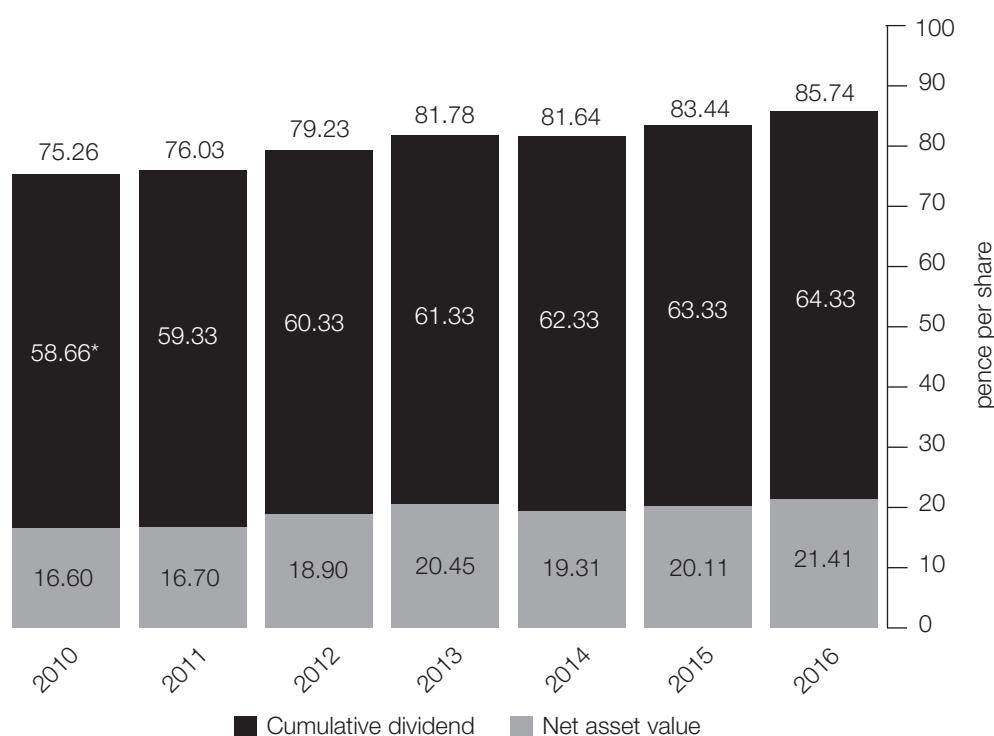
Financial highlights (continued)

	31 December 2016 (pence per share)	31 December 2015 (pence per share)
Revenue return	0.29	0.40
Capital return	2.03	1.37
Dividends paid	1.00	1.00
Net asset value	21.41	20.11

Total shareholder return	From launch to 31 December 2010 (pence per share)	1 January 2011 to 31 December 2016 (pence per share)	From launch to 31 December 2016 (pence per share)
Subscription price per share at launch	100.00	–	100.00
Dividends paid	58.66	5.67	64.33
(Decrease)/increase in net asset value	(83.40)	4.81	(78.59)
Total shareholder return	<u>75.26</u>	<u>10.48</u>	<u>85.74</u>

The Directors have declared a first dividend of 0.5 pence per share for the year ending 31 December 2017, which will be paid on 28 April 2017 to shareholders on the register on 7 April 2017.

Total shareholder return since launch of the Company in 1996
Kings Arms Yard VCT PLC



* Cumulative dividends paid since the Company's launch in 1996.

Source: Albion Ventures LLP

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

We are pleased to report a total shareholder return of 2.32 pence per share or 11.5% on opening net asset value for the year ended 31 December 2016. Investments during the year totalled £5.9 million of which £1.7 million were in new portfolio companies. The divestment of the legacy portfolio continues, with £3.1 million of the £3.5 million in realisations during the year being legacy companies, including those of Haemostatix and a reduction in our holding in Oxford Immunotec.

Results

Net asset value per share increased from 20.11p as at 31 December 2015 to 21.41p at 31 December 2016 after allowing for the payment of dividends totalling 1 penny per share during the year.

The Company recorded a positive total shareholder return of 2.32 pence per share, or £5.7 million for the year to 31 December 2016, driven by positive developments at a number of portfolio companies, including Antenova, Proveca, Active Lives Care and Ryefield Court Care.

As always, the Board has rigorously reassessed the carrying value of all portfolio investments and has reduced those wherever trading performance or market conditions made this necessary. Nevertheless, as the overall outcome shows, positive movements have significantly outweighed the setbacks.

During 2016, £5.9 million was invested into unquoted companies including £0.8 million into renewable energy projects, £3.0 million into the construction of three new care homes, and £2.1 million into the high growth portfolio, predominantly in the healthcare and technology sectors. Further information on all new investments is contained in the Strategic report. The portfolio now includes thirty five investments made since 2011 and the proportion of assets still invested in the legacy portfolio of investments made before 2011 has shrunk to 35% (2015: 42%).

For a detailed review of these disposals and other developments in the business please see the Strategic report on page 11.

Dividend

We are pleased to declare a first dividend of 0.5p per share to be paid on 28 April 2017 to shareholders on the register on 7 April 2017 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 2016, 89% (2015: 90.5%) of total investments were in qualifying holdings. The Board continues to monitor this and all the VCT qualification requirements 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 2016/2017

By 31 January 2017, the Company had raised £3.8 million from a first allotment of shares under the top up share offer launched on 29 November 2016. As a result of the strong demand for the Company's shares, the Board was able to announce on 22 February 2017 that subscription had reached its £6 million limit under the prospectus offer and was now closed. The next allotment will be on 28 March 2017.

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 2016, the Company purchased 4,912,000 Ordinary shares at an average price of 18.41 pence per share. Further information is shown in note 14.

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 and incentive fees.

Performance incentive fee

The Board is pleased to announce that investment performance has exceeded the targets set by shareholders on 24 May 2013. Accordingly a management performance fee of £513,000 is due for the year ended 31 December 2016 following the fee of £242,000 earned in the previous year.

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 17 May 2017. Full details of the business to be conducted at the Annual General Meeting are given in the Notice of the Meeting on pages 55 and 56.

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.

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 page 13.

Outlook and prospects

We are encouraged by the investment performance during 2016 and over the last five years. Whilst the economic outlook is more uncertain than it has been for some time, as is reflected in equity market volatility, the Board continues to have confidence in the long-term prospects of the increasingly diversified and balanced portfolio, and in the ability of our Manager to secure and nurture appropriate new investment opportunities.

Robin Field

Chairman

21 March 2017

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% 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"). At 31 December 2016 the Asset-Backed Portfolio represented 42% of net assets (2015: 36%). 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 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 similar instruments with banks or other financial institutions with high credit ratings assigned by international credit rating agencies.

Under its Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of its adjusted share capital and reserves.

Review of business and future changes

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 ongoing investment management fee and other charges. This continues to be achieved, with total income for 2016 of £1.37m against total ongoing costs of £1.26m. The investment income generated is equivalent to a gross yield of 2.8% on the average net asset value for the year. As the Asset-Backed Portfolio increases in the current

year, we would expect the Company's income to grow accordingly.

As outlined below, the Company has recorded significant capital uplift during the year. This is led by an uplift of £2.6m across the Asset-Backed Portfolio, £2.5m in the Growth portfolio and £0.9m in the quoted investments. Key individual investment movements included £1.8m uplift in the valuation of our holding in Antenova Limited, £1.3m uplift in Proveca Limited, £1.1m uplift in Active Lives Care Limited and £1.0m uplift in Ryefield Court Care Limited, offset by a decline in the valuation of our holding in Elateral Group Limited of £1.6m and Sift Limited of £0.8m.

Details of significant events which have occurred since the end of the financial year are listed in note 18. Details of transactions with the Manager are shown in note 4.

Results and dividends

	Ordinary shares £'000
Net revenue return for the year ended 31 December 2016	719
Net capital gain for the year ended 31 December 2016	<u>4,958</u>
Total return for the year ended 31 December 2016	5,677
Dividend of 0.5 pence per share paid on 29 April 2016	(1,256)
Dividend of 0.5 pence per share paid on 31 October 2016	<u>(1,244)</u>
Transferred to reserves	3,177
Net assets as at 31 December 2016	<u>53,010</u>
Net asset value per share as at 31 December 2016 (pence)	21.41

The Company paid dividends of 1 penny per share during the year ended 31 December 2016 (2015: 1 penny per share). The Directors have declared a first dividend of 0.5 pence per share for the year ending 31 December 2017, which will be paid on 28 April 2017 to shareholders on the register on 7 April 2017.

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 Manager at 1 penny per share. The dividend has been more than covered by the total return for the year.

As shown in the Income statement on page 39 of the Financial Statements, investment income has remained relatively flat at

Strategic report (continued)

£1,370,000 (2015: £1,412,000) although loan stock income increased to £1,257,000 (2015: £1,095,000). The capital gain for the year was significantly higher at £4,958,000 (2015: £2,966,000).

The total return for the year has increased to £5,677,000 (2015: £3,835,000), equating to a total return of 2.32 pence per share (2015: 1.77 pence per share).

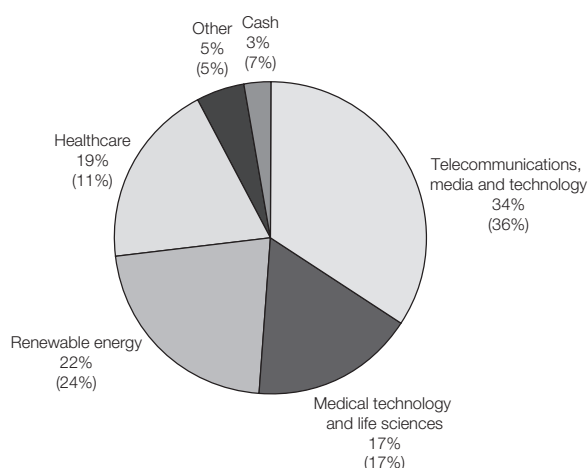
The Balance sheet on page 40 shows that the net asset value has increased over the last year to 21.41 pence per share (2015: 20.11 pence per share) which is due to continued strong performance of the asset-backed investments, as well as increased valuations in Antenova, Proveca, Anthropics and Oxford Immunotec in the growth sector.

There has been a net cash outflow for the year, mainly due to investments of £5.9 million, the payment of dividends and buy-back of shares. This was offset by the fundraising during the year, investment income and disposal of legacy investments.

Current portfolio sector allocation

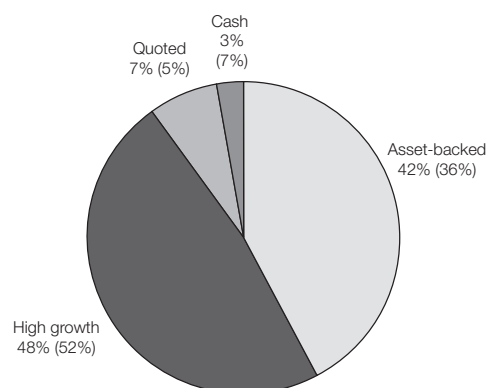
The following two pie charts outline firstly the different sectors in which the Company's assets, at carrying value, are currently invested, and secondly, delineates between those investments, at carrying value, by asset class.

Split of portfolio by sector



Comparatives for 31 December 2015 are in brackets
Source: Albion Ventures LLP

Distribution of net assets, at carrying value, for asset-backed and growth portfolio investments as at 31 December 2016



Comparatives for 31 December 2015 are in brackets
Source: Albion Ventures LLP

Direction of portfolio

During 2016, investments were made to build 3 new residential care homes for the elderly, Active Lives Care, Ryefield Court Care and Shinfield Lodge Care in Oxford, Greater London and Reading respectively. These investments have increased the allocation to healthcare from 11% to 19% and, when combined with an investment in an anaerobic digestion plant, have contributed to an increase in the asset-backed element of the portfolio from 36% to 42%.

We anticipate the healthcare sector increasing in importance, as it is an area that the Manager has targeted for value creation and a good potential source of recurring income. The Company has reached its target percentage for the renewable energy sector, which now accounts for 22% of net assets compared to 24% 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.

Strategic report (continued)

Key performance indicators

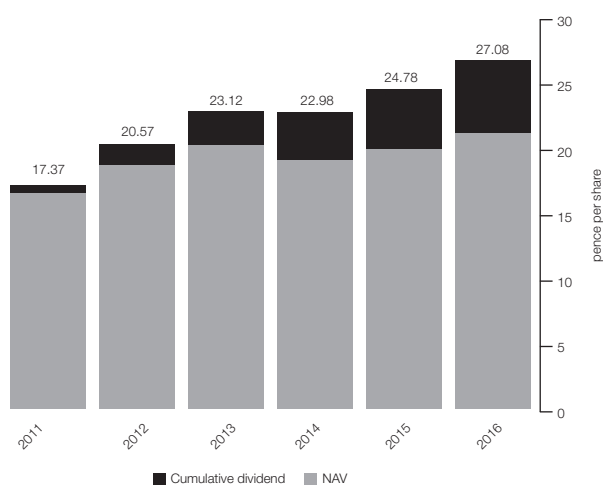
The Directors believe that the following key performance indicators, which are typical for venture capital trusts, used in their own assessment of the Company, will provide shareholders with sufficient information to assess how effectively the Company is applying its investment policy to meet its objectives. 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. Total shareholder return relative to FTSE All-Share Index total return

The graph on page 4 shows the strong performance of the Company's total shareholder 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 total shareholder return

Net asset value per share and total shareholder return*



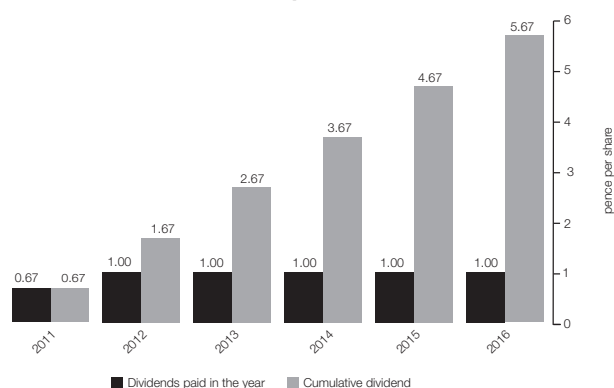
* Total shareholder return is net asset value plus cumulative dividends paid since 1 January 2011.

Source: Albion Ventures LLP

Total shareholder return since inception increased by 2.8% to 85.74 pence per share for the year ended 31 December 2016.

3. Dividend distributions

Dividends paid



Source: Albion Ventures LLP

Dividends paid in respect of the year ended 31 December 2016 were 1 penny per share (2015: 1 penny per share), in line with the Board's dividend objective. The cumulative dividend paid since inception is 64.33 pence per share.

4. Ongoing charges

The ongoing charges ratio for the year to 31 December 2016 was 2.5% (2015: 2.6%). 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 year ahead to be approximately 2.5%.

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 page 22.

As part of the Government's wider review of the VCT regime, new rules have been introduced under the Finance Act (No.2) 2015 and Finance Act 2016, which include:

- Restrictions over the age of investments;
- A prohibition on management buyouts or the purchase of existing businesses;
- An overall lifetime investment cap of £12 million from tax-advantaged funds into any portfolio company; and
- A VCT can only make qualifying investments or certain specified non-qualifying investments such as money market securities and short term deposits.

Strategic report (continued)

While these changes are significant, the Company has been advised that, had they been in place previously, they would have affected only a relatively small minority of the investments that we have made into new portfolio companies over recent years. The Board's current view is that there will be no material change in our investment policy and the application of it as a result.

Investment progress

During the year, there was a very active period of new investment, with a total of £5.9 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 £0.8 million was invested during the year into the renewable energy sector; £2.9 million into care homes; and £2.2 million in companies offering the potential of high growth.

Cash and liquid assets at the year-end decreased to £1.8 million (2015: £3.5 million), representing 3.3% of net asset value.

New investments were made in 6 companies and totalled £1.7 million during the year and included: an anaerobic digestion company – Earnside Energy Limited (£835,000); a digital marketing software company – Convertr Media Limited (£284,000); an automotive technology research company – Secured By Design Limited (£260,000); a predictive analytics company – Black Swan Data Limited (£170,000); a medical nutritional therapy company – Oviva AG (£91,000); and a sports marketing company – InCrowd Sports Limited (£36,000).

Follow-on investments were made in 16 portfolio companies and totalled £4.2 million during the year. The largest being £2.7 million into the construction of the two care homes (£1.4 million into Active Lives Care Limited and £1.3 million into Ryefield Court Care Limited); £374,000 into Proveca Limited and £300,000 into Elateral Group Limited.

During the year the Company sold its shares in Haemostatix for a mixture of cash and shares in AiM listed ErgoMed PLC and sold its entire holdings in Silent Herdsman realising proceeds of £146,000 with a realised loss on cost of £6,000. The Company also sold 100,000 Oxford Immunotec Global shares with proceeds of £1,061,000 and a realised gain of £672,000 on cost. Other realisations can be found in the realisations table on page 18.

The policy of increasing the income generating capacity of the Company continues to bear fruit. The Company received £1,257,000 of loan stock income during the year representing a rise of 15% on the £1,095,000 loan stock income received from the portfolio during the previous year.

The first pie chart 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 10% of the adjusted capital and reserves, being £51,680,000 (2015: £43,434,000). As at 31 December 2016, the Company had no actual short term and long term gearing (2015: £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 Investment 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 Investment 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 Investment 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.

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.

As at 31 December 2016, the total return of the Company since 1 January 2014 (the performance incentive fee start date) was 24.41 pence per share, compared to a performance hurdle rate of 23.01 pence per share. As a result, a performance incentive fee is payable to the Manager of £513,000 (2015: £242,000).

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 Investment 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 appointed Albion Ventures LLP as the Company's AIFM as required by the AIFMD.

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 2016 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 pages 22 and 23.

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
Investment and performance risk	The risk of investment in poor quality assets, which could reduce the capital and income returns to shareholders, and could negatively impact on the Company's current and future valuations. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.	To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review 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), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.
VCT approval risk	The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns. Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.	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 Philip Hare & Associates LLP as its taxation adviser, who 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.
Regulatory and 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.	Board members and the Manager have experience of operating at senior levels within or advising quoted companies. In addition, the Board and the Manager receive regular updates on new regulation from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's Compliance Officer. The Manager reports monthly to its Board on any issues arising from compliance or regulation. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's Compliance Officer. The report on controls is also evaluated by the internal auditors.
Operational and internal control risk	The Company relies on a number of third parties, in particular the Manager, for the provision of investment management and administrative functions. Failures in key systems and controls 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 Company and its operations are subject to a series of rigorous internal controls and review procedures exercised throughout the year. The Audit Committee reviews the Internal Audit Reports prepared by the Manager's internal auditors, PKF Littlejohn LLP. On an annual basis, the Audit Committee chairman meets with the internal audit Partner to provide an opportunity to ask specific detailed questions in order to satisfy itself that the Manager has strong systems and controls in place including those in relation to business continuity and cyber security. In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment objective and policies. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.
Economic and political 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.	The Company invests in a diversified portfolio of companies across a number of industry sectors and in addition often invests a mixture of equity and secured loan stock in portfolio companies and has a policy of not normally permitting any external bank borrowings within portfolio companies. At any given time, the Company has sufficient cash resources to meet its operating requirements, including share buy back and follow on investments.
Market value of Ordinary shares	The market value of Ordinary shares can fluctuate. The market value of an Ordinary share, as well as being affected by its net asset value and prospective net asset value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary share may vary considerably from its underlying net asset value. The market prices of shares in quoted investment companies can, therefore, be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment and other factors. Accordingly the market price of the Ordinary shares may not fully reflect their underlying net asset value.	The Company operates a share buyback policy, which is designed to limit the discount at which the Ordinary shares trade to around 5 per cent to net asset value, by providing a purchaser through the Company in absence of market purchasers. From time to time buyback cannot be applied, for example when the Company is subject to a close period, or if it were to exhaust its buyback authorities, which are renewed each year. New Ordinary shares are issued at sufficient premium to net asset value to cover the costs of issue and to avoid asset value dilution to existing investors.

Strategic report (continued)

Viability statement

In accordance with the FRC UK Corporate Governance Code published in September 2014 and principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 31 December 2019. The Directors believe that three years is a reasonable period in which they can assess the future of the Company to continue to operate and meet its liabilities as they fall due and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timelines for finding, assessing and completing investments.

The Directors have carried out a robust assessment of the principal risks facing the Company as explained above, including those that could threaten its business model, future performance, solvency or liquidity. The Board also considered the risk management processes in place to avoid or reduce the impact of the underlying risks. The Board focused on the major factors which affect the economic, regulatory and political environment. The Board deliberated over the importance of the Manager and the processes that they have in place for dealing with the principal risks.

The Board assessed the ability of the Company to raise finance. As explained in this Strategic report the Company's income more than covers on-going expenses, and this income should increase as our asset-backed investments continue to mature. The portfolio is well balanced and geared towards long term growth delivering dividends and capital growth to shareholders. In assessing the prospects of the Company, the Directors have considered the cash flow by looking at the Company's income and expenditure projections and funding pipeline over the assessment period of three years and they appear realistic.

In considering the viability of the Company, the Board took into account factors including the processes for mitigating risks, monitoring costs, managing share price discount, the Manager's compliance with the investment objective, policies and business model and the balance of the portfolio. The Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2019.

This Strategic report of the Company for the year ended 31 December 2016 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.

On behalf of the Board

Robin Field

Chairman

21 March 2017

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. Until February 2016 he was non-executive Treasurer and a council member of the University of Surrey. He is a non-executive Chairman of First Utility plc (residential electricity and gas supplier) and Propel London Ltd (recruitment) and a non-executive director of NCC Group plc and of a number of private companies.

Martin Fiennes, appointed 5 April 2011, is a Principal with Oxford Sciences Innovation, an investment company created in 2015 to invest in spin-outs from the University of Oxford. Prior to this he ran a corporate finance boutique, Gatehouse Capital, which specialised in raising capital for early-stage UK technology companies. From 1997 until he founded Gatehouse Capital in 2006, Martin had been an investment manager with Top Technology Ventures. Martin is a director of the HDH Wills 1965 Charitable Trust, and also serves as a director at Drayton Manor Park Ltd, Bodle Technologies Ltd, Mixergy Ltd and Oxford Flow Ltd.

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, Thomas Chambers will retire from the Board by rotation in accordance with the Company's Articles of Association and Companies Act 2006 and he 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 Kings Arms Yard VCT PLC. In addition, it manages a further five venture capital trusts, the UCL Technology Fund and provides administration services to Albion Community Power PLC and Albion Care Communities Limited. Albion Ventures LLP, together with its subsidiary OLIM Investment Managers, has total assets under management or administration of approximately £950 million.

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

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 a director of Albion Technology and General VCT PLC, Albion Enterprise VCT PLC and Albion Development VCT PLC, all managed by Albion Ventures. He is also chief executive of Albion Community Power PLC, chairman of OLIM Investment Managers, a member of the Audit Committee of University College London, a director of The Association of Investment Companies, 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.

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.

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 Finance Director. He is also Finance Director of Albion Community Power PLC and of OLIM Investment Managers. He has a BA in Accountancy & Finance from Nottingham Business School.

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.

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, began his career at KPMG and on to Credit Suisse First Boston and ING Barings where he advised a number of businesses on capital raising and M&A activity. After moving to Albion Ventures in 2005, Robert started investing in the technology and advanced manufacturing sectors. Robert became a partner in 2009 and is responsible for a number of technology investments. Robert holds an honours degree in History from the University of Reading and is a Chartered Accountant and a member of the Chartered Institute of Securities and Investment. He is also a director of OLIM Investment Managers.

Portfolio of investments

			As at 31 December 2016			As at 31 December 2015			
	% 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	20.3	50.0	4,140	1,236	5,376	2,737	157	2,894	1,080
Ryefield Court Care Limited	18.7	50.0	2,800	1,135	3,935	1,459	88	1,547	1,047
Chonais River Hydro Limited	6.5	50.0	2,428	508	2,936	2,428	499	2,927	9
The Street by Street Solar Programme Limited	10.0	50.0	1,040	525	1,565	1,040	436	1,476	88
Alto Prodotto Wind Limited	11.1	50.0	998	534	1,532	1,000	474	1,474	60
Regenerco Renewable Energy Limited	9.8	50.0	988	373	1,361	988	295	1,283	78
Dragon Hydro Limited	17.2	30.0	736	378	1,114	736	348	1,084	30
Bravo Inns II Limited	5.0	50.0	800	99	899	800	21	821	78
Earnside Energy Limited	5.2	50.0	835	15	850	–	–	–	15
Shinfield Lodge Care Limited	2.9	50.0	535	267	802	295	3	298	265
Gharagain River Hydro Limited	5.0	50.0	620	72	692	620	261	881	(189)
AVESi Limited	14.8	50.0	484	159	643	484	131	615	28
Greenenerco Limited	8.6	50.0	300	168	468	300	158	458	10
Erin Solar Limited	5.7	50.0	160	(3)	157	160	(3)	157	–
Infinite Ventures (Goathill) Limited	2.7	31.0	112	26	138	112	–	112	26
Harvest AD Limited ⁽⁴⁾	–	–	70	–	70	70	–	70	–
Total asset-backed unquoted investments			17,046	5,492	22,538	13,229	2,868	16,097	2,625
High growth unquoted investments									
Elateral Group Limited	37.7	37.7	3,944	481	4,425	3,644	2,077	5,721	(1,597)
Proveca Limited	16.4	54.1	1,303	1,605	2,908	930	261	1,191	1,343
Antenova Limited	28.7	28.7	1,733	991	2,724	1,733	(816)	917	1,807
Perpetuum Limited	15.0	15.0	2,073	(652)	1,421	1,773	(652)	1,121	(1)
Hilson Moran Holdings Limited	10.4	34.7	301	1,114	1,415	381	1,022	1,403	120
Anthropics Technologies Limited	12.7	12.7	19	1,344	1,363	25	589	614	903
Academia Inc.	3.2	3.2	351	952	1,303	351	531	882	421
MyMeds&Me Limited	10.9	29.9	848	390	1,238	848	471	1,319	(81)
Egress Software Technologies Limited	4.3	22.0	430	808	1,238	430	200	630	608
Sift Digital Limited	38.6	38.6	923	150	1,073	–	–	–	150
Sift Limited	42.1	42.1	2,307	(1,267)	1,040	3,229	(488)	2,741	(779)
OmPrompt Holdings Limited	7.1	19.7	900	37	937	900	21	921	17
Symetrica Limited	3.5	3.5	389	370	759	389	253	642	118
Grapeshot Limited	2.5	13.9	434	159	593	371	61	432	99
Celoxica Holdings plc	4.4	4.4	513	(144)	369	513	(144)	369	–
Relayware Limited	1.1	11.6	324	–	324	417	5	422	(5)
Mirada Medical Limited	1.1	45.0	279	8	287	230	(3)	227	12
Convertr Media Limited	3.1	27.0	284	–	284	–	–	–	–
Secured By Design Limited	1.7	10.0	260	1	261	–	–	–	1
Abcodia Limited	4.3	19.5	548	(313)	235	428	109	537	(423)
Aridhia Informatics Limited	2.2	22.3	349	(114)	235	324	(97)	227	(17)
Black Swan Data Limited	0.5	2.9	170	–	170	–	–	–	–
The Wentworth Wooden Jigsaw Company Limited	5.4	5.4	–	121	121	–	139	139	(18)
Cisiv Limited	2.8	28.9	216	(105)	111	170	42	212	(148)
Sandcroft Avenue Limited	1.3	5.6	120	(16)	104	120	11	131	(27)
Oviva AG	1.2	9.1	91	–	91	–	–	–	–
Dickson Financial Services Limited	4.5	30.0	45	17	62	45	–	45	17
Panaseer Limited	1.0	7.8	50	–	50	50	–	50	–
InCrowd Sports Limited	0.8	6.8	36	–	36	–	–	–	–
Xention Limited	10.5	10.5	38	(2)	36	38	(5)	33	3
Oxonica Limited	2.1	2.1	1	–	1	1	–	1	–
De Novo Pharmaceuticals Limited	0.0	0.0	–	1	1	–	1	1	–
TeraView Limited	1.0	1.0	1	–	1	1	–	1	–
Furzeland Limited	–	–	–	1	1	–	1	1	–
Keronite Group Limited	1.1	1.1	–	1	1	–	1	1	–
Lectus Therapeutics Limited	4.5	4.5	–	1	1	–	1	1	–
Ario Pharma Limited	3.6	3.6	24	(23)	1	24	(23)	1	–
Total high growth unquoted investments			19,304	5,916	25,220	17,365	3,568	20,933	2,521

Portfolio of investments (continued)

	As at 31 December 2016			As at 31 December 2015			Change in value for the year ⁽³⁾ £'000
	Cost ⁽²⁾ £'000	Cumulative movement in value £'000	Value £'000	Cost ⁽²⁾ £'000	Cumulative movement in value £'000	Value £'000	
Quoted investments							
Oxford Immunotec Global PLC (NASDAQ)	726	1,534	2,260	1,114	1,109	2,223	812
ErgoMed PLC	1,468	115	1,583	–	–	–	115
Total quoted investments	2,194	1,649	3,843	1,114	1,109	2,223	927
Total fixed asset investments	38,544	13,057	51,601	31,708	7,545	39,253	6,073

Total change in value of investments for the year	6,073
Movement in loan stock accrued interest	(355)
Unrealised gains sub-total	5,718
Realised gains in current period	358
Total gains on investments as per Income statement	6,076

(1) Early stage investment of convertible loan stock.

The comparative cost and valuations for 31 December 2015 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2015 as the above list does not include brought forward investments that were fully disposed of in the year.

	Cost ⁽²⁾ £'000	Opening carrying value £'000	Disposal proceeds £'000	Realised (loss)/gain £'000	Gain/(loss) on opening or acquired value £'000
Realisations in the year to 31 December 2016					
Haemostatix Limited	1,877	1,550	1,637	(240)	88
Oxford Immunotec Global PLC	389	775	1,061	672	286
UniServity Limited	88	88	166	78	78
Anthropics Technologies Limited	6	154	150	144	(4)
Silent Herdsman Holdings Limited	152	138	146	(6)	8
Hilson Moran Holdings Limited (<i>loan stock repayment</i>)	80	108	108	28	–
Xtera Communications Inc.	85	227	98	13	(129)
Relayware Limited	93	93	93	–	–
Atego Group (<i>escrow adjustment</i>)	–	–	22	22	22
Clear2Pay NV	–	–	9	9	9
Alto Prodotto Wind Limited (<i>loan stock repayment</i>)	2	3	3	1	–
Total	2,772	3,136	3,493	721	358

(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) The above column shows the movement in the year from the opening balance as at 1 January 2016 to the closing balance as at 31 December 2016 after adjustment for additions and disposals.

Portfolio companies

The top ten fixed asset investments by value 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.

Active Lives Care Limited A company that owns and operates a purpose built elderly care home offering 75 bedrooms in Cumnor Hill, Oxford, which opened in June 2016.			 Website: www.cumnorhillhouse.uk	
Abbreviated audited results for year ended	31 December 2015	Investment information:		
	£'000			£'000
		Income recognised in the year		319
		Cost		4,140
		Total valuation		5,376
Net assets	1,373	Voting equity held		20.3%
Basis of valuation	Valuation supported by third party valuation	Voting rights for all AVL managed companies		50.0%

Elateral Group Limited Development and sale of brand marketing automation software.			 Website: www.elateral.com	
Audited results for year ended	31 March 2016	Investment information:		
	£'000			£'000
Turnover	6,452	Income recognised in the year		–
EBITDA	(1,325)	Cost		3,944
Loss before tax	(2,309)	Total valuation		4,425
Net liabilities	(7,834)	Voting equity held		37.7%
Basis of valuation	Revenue multiple	Voting rights for all AVL managed companies		37.7%

Ryefield Court Care Limited Owner and operator of a care home for the elderly in Hillingdon, Middlesex which opened in July 2016.			 Website: www.ryefieldcourt.uk	
Abbreviated audited results for year ended	30 April 2016	Investment information:		
	£'000			£'000
		Income recognised in the year		127
		Cost		2,800
		Total valuation		3,935
Net assets	1,004	Voting equity held		18.7%
Basis of valuation	Valuation supported by third party valuation	Voting rights for all AVL managed companies		50.0%

Chonais River Hydro Limited Small scale hydropower project in Scotland.				
Abbreviated audited results for year ended	30 September 2015	Investment information:		
	£'000			£'000
		Income recognised in the year		225
		Cost		2,428
		Total valuation		2,936
Net liabilities	(7)	Voting equity held		6.5%
Basis of valuation	Valuation supported by third party valuation	Voting rights for all AVL managed companies		50.0%

Proveca Limited Proveca is a specialist UK pharmaceutical company developing and commercialising off-patent medicines to improve the lives of children in Europe.			 Website: www.proveca.co.uk	
Abbreviated audited results for year ended	31 July 2016	Investment information:		
	£'000			£'000
		Income recognised in the year		31
		Cost		1,304
		Total valuation		2,908
Net liabilities	(2,378)	Voting equity held		16.4%
Basis of valuation	Price of recent investment	Voting rights for all AVL managed companies		54.1%

Portfolio companies (continued)

Antenova Limited

The company provides consultancy in building services, sustainability and facilities management.

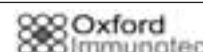


Website: www.antenova.com

Abbreviated audited results for year ended	31 December 2015 £'000	Investment information:	£'000
		Income recognised in the year	–
		Cost	1,733
		Total valuation	2,724
Net assets	1,038	Voting equity held	28.7%
Basis of valuation	Earnings multiple	Voting rights for all AVL managed companies	28.7%

Oxford Immunotec Global PLC

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



Website: www.oxfordimmunotec.com

Audited results for year ended	31 December 2015 US\$'000	Investment information:	£'000
Turnover	62,782	Income recognised in the year	–
EBITDA	(22,123)	Cost	726
Loss before tax	(24,332)	Total valuation	2,260
Net assets	92,692	Voting equity held	0.8%
Basis of valuation	NASDAQ market bid price	Voting rights for all AVL managed companies	0.8%

ErgoMed PLC

Develops haemostatic therapies for applications during surgery.



Website: www.ergomedplc.com

Audited results for year ended	31 December 2015 £'000	Investment information:	£'000
Turnover	30,178	Income recognised in the year	–
EBITDA	3,382	Cost	1,468
Profit before tax	2,072	Total valuation	1,583
Net assets	16,936	Voting equity held	2.6%
Basis of valuation	Market bid price	Voting rights for all AVL managed companies	2.6%

The Street by Street Solar Programme Limited

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

Abbreviated audited results for year ended	30 November 2015 £'000	Investment information:	£'000
		Income recognised in the year	40
		Cost	1,040
		Total valuation	1,565
Net assets	171	Voting equity held	10.0%
Basis of valuation	Valuation supported by third party valuation	Voting rights for all AVL managed companies	50.0%

Alto Prodotto Wind Limited

The company builds, owns and operates medium scale wind projects in the UK.

Abbreviated audited results for year ended	31 March 2016 £'000	Investment information:	£'000
		Income recognised in the year	100
		Cost	998
		Total valuation	1,532
Net assets	1,520	Voting equity held	11.1%
Basis of valuation	Valuation supported by third party valuation	Voting rights for all AVL managed companies	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 2016.

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 premium 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 per cent. 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/funds/KAY.

The Company engaged in the Albion VCTs Prospectus Top Up Offers 2016/2017 which closed on 22 February 2017, having been fully subscribed and reaching its £6m limit under the Prospectus dated 29 November 2016.

During the year, the Company issued 30,690,246 new Ordinary shares as a result of the DRIS and Albion VCT Prospectus Top Up Offers, details of which can be found in note 14.

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 2016 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 2016 and up to the date of this Report.

Results and dividends

The total return attributable to Shareholders for the year was £5,677,000 (2015: £3,835,000) or 2.32 pence per share (2015: 1.77 pence per share).

During the year, the Company paid a dividend of 1 penny per share (2015: 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 2017 to be paid on 28 April 2017 to shareholders on the register on 7 April 2017.

Future developments of the business

Details on the future developments of the business can be found on page 7 of the Chairman's statement and on page 9 of the Strategic report.

Going concern

In accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014, the Board has assessed the Company's operation as a going concern. 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. After accounting for investments available for disposal and current fundraising the Company has adequate cash resources. 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 16. 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 18.

Directors' report (continued)

Principal risks and uncertainties

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

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 as follows:

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
- (3) At least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 the figure is 70 per cent.;
- (4) At the time of investment, or addition to an investment, the Company's holdings in any one company (other than another VCT) must not have exceeded 15 per cent. by HMRC value of its investments;
- (5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (6) The Company's shares, throughout the year, must have been listed on a regulated European market;
- (7) An investment in any company must not cause that company to receive more than £5 million in State aid risk finance in the 12 months up to the date of the investment, nor more than £12 million in total (£20 million for a "knowledge intensive" company);
- (8) The Company must not invest in a company whose trade is more than seven years old (ten years for a "knowledge intensive" company) unless the company previously received State aid risk finance in its first seven years, or a turnover test is satisfied;
- (9) The Company's investment in another company must not be used to acquire another business, or shares in another company; and

- (10) The Company may only make qualifying investments or certain non-qualifying investments permitted by section 274 of the Income Tax Act 2007.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any portfolio company. The tests have been carried out and independently reviewed for the year ended 31 December 2016. The Company has complied with all tests and continues to do so.

'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 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the pie chart on page 9.

A "knowledge intensive" company is one which is carrying out significant amounts of R&D from which the greater part of its business will be derived, or where those R&D activities are being carried out by staff with certain higher educational attainments.

Portfolio company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter.

Environment

The management and administration of the Company is undertaken by the Manager. 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 as is shown in the financial statements of Albion Ventures LLP.

Global greenhouse gas emissions

The Company has no greenhouse gas emissions to report from the operations of the Company, 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 its underlying investment portfolio.

Directors' report (continued)

Anti-bribery policy

The Company has adopted a zero tolerance approach to bribery, and will not tolerate bribery under any circumstances in any transaction the Company is involved in.

Albion Ventures LLP has reviewed 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 11 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 33.

Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code.

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. In accordance with the Articles of Association, Mr Thomas Chambers will resign and offer himself for re-election.

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

A resolution to re-appoint BDO LLP will be proposed at the Annual General Meeting.

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 17 May 2017. The Notice of Annual General Meeting can be found on pages 55 and 56.

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/funds/KAY under the 'Financial Reports and Circulars' section.

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

Directors' report (continued)

either with the Companies Act 2006 or the Listing Rules of the Financial Conduct Authority.

Increase in Directors' aggregate remuneration

Ordinary resolution 7 to be proposed as special business at the Annual General Meeting increases the limit for the overall level of Directors' remuneration under the Company's Articles of Association from £80,000 to £100,000 with effect from 1 July 2017. The Directors are currently paid director's fees aggregating £66,000 per annum. There is no current intention to increase these fees but the new level proposed under the Articles of Association provides extra flexibility in the case, for example, of an additional Board member being appointed prior to the retirement of an existing Director.

Authority to allot shares

Ordinary resolution 8 proposes to renew the Directors' authority to allot additional shares of the Company up to an aggregate nominal amount of £604,704 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 and any Albion VCTs Share Offers. The Company currently holds 36,375,000 treasury shares representing 12.8% of the total Ordinary share capital in issue as at 31 December 2016.

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 ended 31 December 2016, Ordinary shares were allotted under the Albion VCTs Prospectus Top Up Offers 2016/2017 as described in detail in note 18.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2016. 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.

Disapplication of pre-emption rights

Special resolution 9 proposes to renew the Directors' authority to allot equity securities for cash up to an aggregate nominal amount of £604,704 (being approximately 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, its Top Up Offers 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 Annual General Meeting in 2016. 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

Special resolution 10 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 10.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

During the financial year under review, the Company purchased 4,912,000 Ordinary shares which were held in treasury, at an aggregate consideration of £904,000 representing 2% of called up share capital. Further information is shown in note 14.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2016. 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 11 proposes to permit Directors to sell treasury shares at the higher of the prevailing current share price and the price bought in at.

Directors' report (continued)

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.

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's 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
21 March 2017

Statement of Directors' responsibilities

The Directors are responsible for preparing Annual Report and 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 have elected to prepare the Company's Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (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.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK GAAP subject to any material departures disclosed and explained in the Financial Statements; and
- prepare a Directors' report, a Strategic report and Directors' 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. The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and 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 in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary

from legislation in other jurisdictions. The maintenance and integrity of the Company's webpage is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

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

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with UK GAAP and give a true and fair view of the assets, liabilities, financial position and profit of the Company.
- 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 it faces.

For and on behalf of the Board

Robin Field

Chairman

21 March 2017

Statement of corporate governance

Background

The Financial Conduct Authority requires all listed companies on a regulated market 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 2014.

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 the Company.

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, 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 and the fact that all Directors are non-executive, it is not necessary for the time being. The need to appoint a Senior Independent Director is reviewed annually.

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 given its size 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, with all Directors attending 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, the Albion VCTs Prospectus Top Up Offers 2015/2016 and to approve the terms of the Albion VCTs Prospectus Top Up Offers 2016/2017.

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 authority and limits beyond which Board approval must be sought.

The Manager has delegated authority over the day-to-day management of the investment portfolio, the organisation of custodial services, 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;
- consideration of corporate strategy and corporate events that arise;

Statement of corporate governance (continued)

- application of the principles of the UK Corporate Governance Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of the Auditor;
- approval 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 position, 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, Thomas Chambers 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 Thomas Chambers continues in his position. Thomas Chambers will retire by rotation in accordance with the articles and offer himself up for re-election.

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 2016; all members attended.

The independent Auditor, BDO LLP, attended the Audit Committee meeting at which the Annual Report and Financial Statements for the year ended 31 December 2016 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 webpage on the Manager's website at www.albion-ventures.co.uk/funds/KAY under the Corporate Governance section.

During and following 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 judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- 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;

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 position, 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 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 Manager. The Audit Committee reviewed the estimates and judgements 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 Annual Report and Financial Statements are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Company's position, 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. 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.

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 2016, 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. The core legislation mandates that the maximum period for which a firm can be appointed auditor of a public interest entity is 10 years. Member states can choose to make this period shorter, or they can choose to allow extensions: to 20 years if a competitive tender is held at the 10 year point, or to 24 years in the case of a joint audit appointment. Transition arrangements vary depending on the length of time auditors have been incumbent. BDO first acted as Auditor for the year ended 31 December 2014 and therefore the last year BDO can act as auditor before a mandatory tender process is required is 31 December 2024.

Statement of corporate governance (continued)

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 2016. 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 UK Corporate Governance 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 FRC guidance "Risk Management, Internal Control and Related Financial and Business Reporting". The Board is responsible for the Company's system of 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, 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 and Financial Statements. 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 24. 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 at 11am on 17 May 2017 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 and financial advisers are able to obtain information on holdings and performance using the contact details provided on page 2.

The Company's shares are listed 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 Chief Executive Officer, Senior Independent Director and the appointment of separate Remuneration and Nomination Committees, the Company has complied throughout the year ended 31 December 2016 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.

Robin Field

Chairman

21 March 2017

Directors' remuneration report

Introduction

This report is submitted in accordance with Section 420 of the Companies Act 2006 and describes how the Board has applied the principles relating to the Directors' remuneration.

Ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 17 May 2017 for the approval of the Directors' Remuneration Policy and 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.

The Directors met during the year to review responsibilities and salaries of the Directors against the market and concluded the current fees, which had not increased since 2013, should be increased to remain both competitive and reflective of the workload and responsibilities required from the Directors. The Committee agreed to raise the salary for the Chairman to £24,000, the Chairman of the Audit Committee to £22,000 and all other Directors to £20,000. The change in remuneration took place from 1 January 2016 and is in line with the remuneration policy as detailed below and is displayed in the "Directors pay compared to distribution to shareholders" table on page 33 of this report.

Directors' remuneration policy

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 maximum level of non-executive directors' remuneration is fixed by the Company's Articles of Association, not to exceed £80,000 per annum in aggregate; amendment to this is by way of an ordinary resolution.

To provide extra flexibility in the case, for example, of an additional Board Member being appointed prior to the retirement of an existing Director it is intended that the level of non-executive directors' remuneration is increased so as not to exceed £100,000 per annum in aggregate with effect from 1 July 2017. This will be proposed as an ordinary resolution at the forthcoming Annual General Meeting. Details regarding this proposed change can be seen on page 24 of the Directors' report.

An ordinary resolution to approve the Directors' Remuneration policy will be put to shareholders at the forthcoming Annual General Meeting and at least once every three years. Directors' fees payable during the year totalled £66,000 (2015: £60,000) as set out below and in note 6 to the Financial Statements.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £8,100 (2015: £8,600).

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 17 May 2017, Thomas Chambers will retire by rotation and be subject to re-election.

Shareholders' views in respect of Directors' remuneration are regarded highly 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 within its 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.

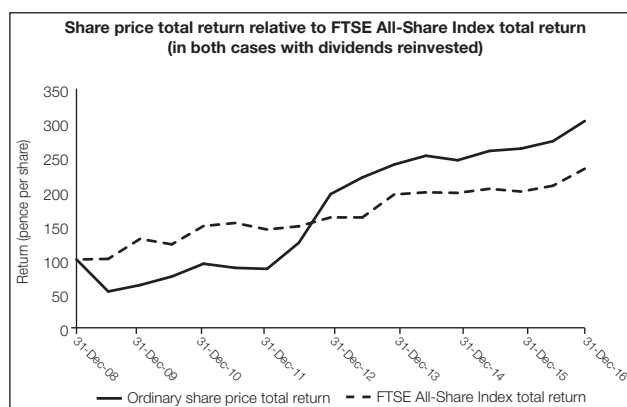
Directors' remuneration report (continued)

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 85.74 pence per share, which is shown on 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 31 December 2008. The Directors consider the FTSE All-Share Index to be the most appropriate benchmark for the Company as it contains a range of sectors relevant to 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.

Directors' pay compared to distribution to shareholders

	2016 £'000	2015 £'000	Percentage change
Total dividend distribution to shareholders	2,500	2,195	14%
Share buybacks	905	1,192	(24%)
Total Directors' fees	66	60	10%

AUDITED INFORMATION

Directors' remuneration

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

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
R A Field (Chairman)	24,000	22,500
T W Chambers (Audit Committee Chairman)	22,000	20,000
M G Fiennes	20,000	17,500
	66,000	60,000

The Directors' remuneration for the year ending 31 December 2017 is expected to be £66,000.

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.

Directors' 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:

	Shares held at 31 December 2016	Shares held at 31 December 2015
R A Field	782,477	782,477
T W Chambers	393,681	383,781
M G Fiennes	132,500	132,500
	1,308,658	1,298,758

Robin Field and Thomas Chambers subscribed for new shares under the Albion VCTs Prospectus Top Up Offers 2016/2017, and were issued with 71,770 and 47,846 respectively as part of the 31 January 2017 allotment.

Albion Ventures LLP, its Partners and staff hold 676,248 Ordinary shares in the Company.

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.

Robin Field

Director

21 March 2017

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 2016, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and its 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;
- Statement of Changes in Equity;
- Statement of Cash Flows; 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

A description of the scope of an audit of Financial Statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

An overview of the scope of the audit including our assessment of the risk of material misstatement

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.

Investments

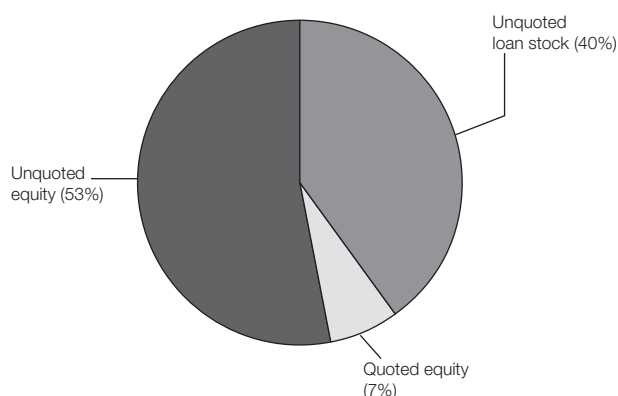
The outcome of our risk assessment was that the valuation of investments was considered to be the area with the greatest effect on the overall audit strategy including the allocation of resources in the audit.

The 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.

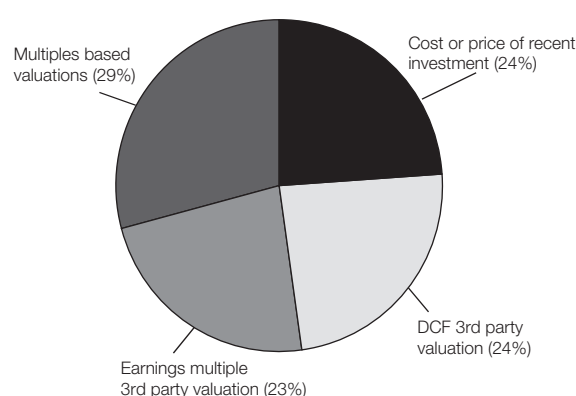
Independent Auditor's report to the Members of Kings Arms Yard VCT PLC (continued)

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument type and valuation method is shown below.

Investment portfolio by type



Unquoted valuations – valuation method



We tested a sample of 88% of the unquoted investment portfolio.

24% of the unquoted portfolio is based on valuations using a price of recent investment or cost (where the investment was recently acquired). For such investments, we verified the cost or price of recent investment to supporting documentation and reviewed the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology did not remain appropriate at 31 December 2016.

The remaining 76% of the portfolio is valued with reference to more subjective techniques including 47% supported by a third party valuation: 24% using discounted cash flows and 23% using earnings multiples. The remaining 29% of the portfolio is valued using multiples of earnings or revenue. For detailed testing we:

- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines
- Re-performed the calculation of the multiples based investment valuations
- Where a valuation has been performed by a third party, we assessed management's expert, the quality of their work and their qualifications, as well as challenged the basis of inputs and assumptions used by the expert, as well as any updates to the valuation made by the investment manager
- Verified and benchmarked key inputs and estimates to independent information and our own research
- Challenged the assumptions inherent in the valuation of unquoted investments, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements
- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation
- Considered the need to develop our own point estimate where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

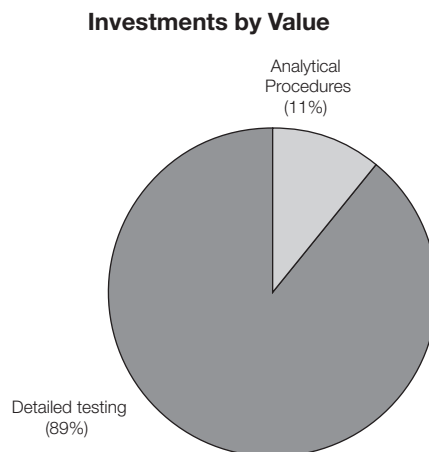
For a risk-weighted sample of loans held at fair value, we:

- Vouched security held to documentation
- Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept
- Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP

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

In respect of quoted equity investments, we confirmed that bid price had been used and that there were no contra indicators, such as liquidity considerations, to suggest bid price was not the most appropriate indication of fair value. 7% of the portfolio is valued at bid price.

The chart below depicts the coverage of our audit work across the entire portfolio:



Revenue

We also considered revenue recognition to be a significant risk. Revenue consists of dividends receivable from the portfolio companies and interest earned on loans to portfolio companies and cash balances. Revenue recognition is a significant audit risk as it is one of the key drivers of dividend returns to investors. In particular, in unquoted companies, dividends receivable can be difficult to predict.

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 also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income, considering management information relevant to the ability of the portfolio Company to service the loan and the reasons for any arrears of loan interest.

In respect of dividends receivable, we compared actual income to expectations set based on independent published data or management information from the investee company on dividends declared by the portfolio companies held. We tested the categorisation of dividends received from the portfolio companies between the revenue and capital.

The audit committee's consideration of their key issues is set out on pages 28 and 29.

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

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 – Based on 2% of invested assets	Assessing whether the Financial Statements as a whole present a true and fair view	● The value of investments ● The level of judgement inherent in the valuation ● The range of reasonable alternative valuation	1,030,000
Specific materiality – classes of transactions and balances which impact on revenue profits – Based on 10% of the revenue return before tax	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	● The level of net income return	72,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000 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.

In our opinion, based on the work undertaken on the course of the audit:

- 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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Statement regarding the Directors' assessment of principal risks, going concern and longer term viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and

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

- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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
- is 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, 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' statements, set out on page 21, in relation to going concern and on page 14 in relation to longer-term viability; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Vanessa-Jayne Bradley (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

21 March 2017

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

Income statement

	Note	Year ended 31 December 2016			Year ended 31 December 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	–	6,076	6,076	–	3,784	3,784
Investment income	3	1,370	–	1,370	1,412	–	1,412
Investment management fee	4	(244)	(733)	(977)	(212)	(636)	(848)
Performance incentive fee	4	(128)	(385)	(513)	(60)	(182)	(242)
Other expenses	5	(279)	–	(279)	(271)	–	(271)
Profit on ordinary activities before tax		719	4,958	5,677	869	2,966	3,835
Tax on ordinary activities	7	–	–	–	–	–	–
Profit and total comprehensive income attributable to shareholders		719	4,958	5,677	869	2,966	3,835
Basic and diluted return per share (pence)*	9	0.29	2.03	2.32	0.40	1.37	1.77

* excluding treasury shares

The accompanying notes on pages 43 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.

Balance sheet

	Note	31 December 2016 £'000	31 December 2015 £'000
Fixed asset Investments	10	51,601	41,257
Current assets			
Trade and other receivables less than one year	12	476	388
Cash and cash equivalents		1,788	3,518
		2,264	3,906
Total assets		53,865	45,163
Creditors: amounts falling due within one year			
Trade and other payables less than one year	13	(855)	(551)
Total assets less current liabilities		53,010	44,612
Equity attributable to equity holders			
Called up share capital	14	2,840	2,533
Share premium		14,218	8,399
Capital redemption reserve		11	11
Unrealised capital reserve		12,526	7,170
Realised capital reserve		3,432	3,830
Other distributable reserve		19,983	22,669
Total equity shareholders' funds		53,010	44,612
Basic and diluted net asset value per share (pence)*	15	21.41	20.11

* excluding treasury shares

The accompanying notes on pages 43 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 21 March 2017 and were signed on its behalf by:

Robin Field

Chairman

Company number: 03139019

Statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
At 31 December 2015	2,533	8,399	11	7,170	3,830	22,669	44,612
Profit and total comprehensive income for the period	–	–	–	5,718	(760)	719	5,677
Transfer of previously unrealised gains on disposal or write off of investments	–	–	–	(362)	362	–	–
Purchase of own shares for treasury	–	–	–	–	–	(905)	(905)
Issue of equity	307	5,981	–	–	–	–	6,288
Cost of issue of equity	–	(162)	–	–	–	–	(162)
Dividends paid	–	–	–	–	–	(2,500)	(2,500)
At 31 December 2016	2,840	14,218	11	12,526	3,432	19,983	53,010
At 31 December 2014	2,265	3,444	11	3,981	2,978	26,262	38,941
Profit and total comprehensive income for the period	–	–	–	3,523	(557)	869	3,835
Transfer of previously unrealised gains on disposal or write off of investments	–	–	–	(334)	334	–	–
Purchase of own shares for treasury	–	–	–	–	–	(1,192)	(1,192)
Issue of equity	268	5,105	–	–	–	–	5,373
Cost of issue of equity	–	(150)	–	–	–	–	(150)
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	1,075	(1,075)	–
Dividends paid	–	–	–	–	–	(2,195)	(2,195)
At 31 December 2015	2,533	8,399	11	7,170	3,830	22,669	44,612

* These reserves amount to £23,415,000 (2015: £26,499,000) which is considered distributable.

The accompanying notes on pages 43 to 54 form an integral part of these Financial Statements.

Statement of cash flows

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	£'000	£'000
Cash flow from operating activities			
Investment income received		902	1,036
Deposit interest received		32	37
Dividend income received		84	282
Investment management fee paid		(994)	(1,024)
Performance incentive fee paid		(242)	–
Other cash payments		(227)	(313)
Exchange rate movement on a part disposal of an asset		7	(10)
Net cash flow from operating activities		(438)	8
Cash flow from investing activities			
Purchase of fixed asset investments		(5,935)	(4,375)
Disposal of fixed asset investments		1,918	5,250
Net cash flow from investing activities		(4,017)	875
Cash flow from financing activities			
Issue of share capital	14	5,880	5,059
Cost of issue of equity		(2)	(2)
Purchase of own shares (including costs)	14	(905)	(1,192)
Equity dividends paid*		(2,248)	(2,028)
Net cash flow from financing activities		2,725	1,837
(Decrease)/increase in cash and cash equivalents		(1,730)	2,720
Cash and cash equivalents at start of the year		3,518	798
Cash and cash equivalents at end of the year		1,788	3,518
Cash and cash equivalents comprise:			
Cash at bank and in hand		1,788	3,518
Cash equivalents		–	–
Total cash and cash equivalents		1,788	3,518

* The equity dividends paid shown in the cash flow are different to the dividends disclosed in note 8 as a result of the non-cash effect of the Dividend Reinvestment Scheme.

The accompanying notes on pages 43 to 54 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

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 United Kingdom law and accounting standards, including Financial Reporting Standard 102 ("FRS 102"), and with the 2014 Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by The Association of Investment Companies ("AIC").

The preparation of the Financial Statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The most critical estimates and judgements relate to the determination of carrying value of investments at fair value through profit and loss ("FVTPL"). The Company values investments by following the IPEVCV Guidelines and further detail on the valuation techniques used are outlined below.

Company information can be found on page 2.

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.

In accordance with the requirements of FRS 102, those undertakings in which the Company holds more than 20% of the equity as part of an investment portfolio are not accounted for using the equity method. In these circumstances the investment is measured at FVTPL.

Upon initial recognition (using trade date accounting) investments, including loan stock, are designated by the Company as FVTPL 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.

Investments are recognised as financial assets on legal completion of the investment contract and are de-recognised on legal completion of the sale of an investment.

Dividend income is not recognised as part of the fair value movement of an investment, but is recognised separately as investment income through the Income statement when a share becomes ex-dividend.

Debtors and creditors and cash are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than creditors.

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 unrealised capital reserve.

Investment income

Equity income

Dividend income is included in revenue when the investment is quoted ex-dividend.

Unquoted loan stock and other preferred income

Fixed returns on non-equity shares and debt securities are recognised when the Company's right to receive payment and expect settlement is established. Where interest is rolled up and/or payable at redemption then it is recognised as income unless there is reasonable doubt as to its receipt.

Bank interest income

Interest income is recognised on an accruals basis using the rate of interest agreed with the bank.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the other distributable reserve except the following which are charged through the realised capital reserve:

- 75 per cent. of management fees are allocated to the realised capital reserve. 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; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Performance incentive fee

Any performance incentive fee will be allocated between other distributable and realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Taxation

Taxation is applied on a current basis in accordance with FRS 102. Current tax is tax payable (refundable) in respect of the taxable profit (tax loss) for the current period or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the financial reporting date. Taxation associated with capital expenses is applied in accordance with the SORP.

Deferred tax is provided in full on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. As a VCT the Company has an exemption from tax on capital gains. The Company intends to continue meeting the conditions required to obtain approval as a VCT in the foreseeable future. The Company therefore, should have no material deferred tax timing differences arising in respect of the revaluation or disposal of investments and the Company has not provided for any 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 FVPTL, 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 unrealised capital 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.

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.

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders.

Other distributable reserve

The special reserve, treasury share reserve and the revenue reserve were combined in 2012 to form a single reserve named other distributable reserve.

This reserve accounts for movements from the revenue column of the Income statement, the payment of dividends, the buy-back of shares and other non-capital realised movements.

Dividends

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. Gains on investments

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Unrealised gains on fixed asset investments	5,718	3,523
Realised gains on fixed asset investments	358	261
	6,076	3,784

3. Investment income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Income recognised on investments		
Interest from loans to portfolio companies	1,257	1,095
Dividends	84	282
Bank deposit interest	29	35
	1,370	1,412

4. Investment management and performance incentive fees

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Investment management fee charged to revenue	244	212
Investment management fee charged to capital	733	636
Performance incentive fee charged to revenue	128	60
Performance incentive fee charged to capital	385	182
	1,490	1,090

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid is given in the Strategic report on pages 11 and 12.

During the year, services with a value of £977,000 (2015: £848,000) and £50,000 (2015: £50,000) were purchased by the Company from Albion Ventures LLP in respect of management and administration fees respectively. A performance incentive fee with a value of £513,000 (2015: £242,000) has been disclosed within the Income statement. At the financial year end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals was £786,000 (2015: £468,000).

Albion Ventures LLP is, from time to time, eligible to receive transaction fees and monitoring fees from portfolio companies. During the year ended 31 December 2016 Albion Ventures LLP received transaction fees from 19 portfolio companies and monitoring fees from 30 portfolio companies. Kings Arms Yard's share of these fees were transactions fees of £53,000 and monitoring fees of £120,000 (2015: transaction fees: £52,000; monitoring fees: £137,000).

Albion Ventures LLP holds 88,543 (2015: 84,185) Ordinary shares in the Company.

5. Other expenses

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Administrative and secretarial services to the Manager	50	50
Directors' fees (note 6)	72	65
Auditor's remuneration for statutory audit services (excluding VAT)	24	24
Other expenses	126	124
	272	263
Foreign exchange cost	7	8
	279	271

Notes to the Financial Statements (continued)

6. Directors' fees

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Amount payable to Directors	66	60
National insurance	6	5
	<u>72</u>	<u>65</u>

The Company's key management personnel are the Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 32 and 33.

7. Tax on ordinary activities

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
UK Corporation tax payable	–	–

Reconciliation of profit on ordinary activities to taxation charge

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Return on ordinary activities before taxation	5,677	3,835
Tax charge on profit at the standard UK corporation tax rate of 20% (2015: effective rate 20.25%)	1,135	776
Effects of:		
Non-taxable gain	(1,215)	(766)
Non-taxable income	(17)	(57)
Unutilised management expenses	97	47
	<u>–</u>	<u>–</u>

The tax charge for the year shown in the Income statement is lower than the small company's rate of corporation tax in the UK of 20 per cent. (2015: effective rate 20.25 per cent.). The differences are explained above.

The Company has excess management expenses of £10,764,000 (2015: £10,279,000) that are available for offset against future profits. A deferred tax asset of £2,153,000 (2015: £2,056,000) 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.

8. Dividends

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
First dividend of 0.5 pence per share paid on 30 April 2015	–	1,109
Second dividend of 0.5 pence per share paid on 30 October 2015	–	1,116
First dividend of 0.5 pence per share paid on 29 April 2016	1,256	–
Second dividend of 0.5 pence per share paid on 31 October 2016	1,244	–
Unclaimed dividends returned to Company	–	(30)
	<u>2,500</u>	<u>2,195</u>

The Directors have declared a first dividend of 0.5 pence per share for the year ending 31 December 2017, which will amount to approximately £1,330,000. This dividend will be paid on 28 April 2017 to shareholders on the register on 7 April 2017.

Notes to the Financial Statements (continued)

9. Basic and diluted return per share

	Year ended 31 December 2016			Year ended 31 December 2015		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit attributable to shareholders (£'000)	719	4,958	5,677	869	2,966	3,835
Weighted average shares in issue (excluding treasury shares)		244,550,634			216,878,531	
Return attributable per equity share (pence)	0.29	2.03	2.32	0.40	1.37	1.77

The weighted average number of Ordinary shares is calculated excluding the treasury shares of 36,375,000 (2015: 31,463,000).

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

10. Fixed asset investments

Summary of fixed asset investments

	31 December 2016 £'000	31 December 2015 £'000
Investments held at fair value through profit or loss		
Unquoted equity	27,094	22,148
Unquoted loan stock	20,664	16,658
Quoted equity	3,843	2,451
	51,601	41,257
	31 December 2016 £'000	31 December 2015 £'000
Opening valuation	41,257	38,055
Purchases at cost	7,405	4,373
Disposal proceeds	(3,493)	(5,164)
Realised gains	358	261
Movement from current asset investments	–	150
Movement in loan stock accrued income	355	59
Movement in unrealised gains	5,718	3,523
Closing valuation	51,601	41,257
Movement in loan stock accrued income		
Opening accumulated movement in loan stock accrued income	187	128
Movement in loan stock accrued income	355	59
Closing accumulated movement in loan stock accrued income	543	187
Movement in unrealised gains		
Opening accumulated unrealised gains	7,158	4,069
Transfer of previously unrealised gains to realised reserve on disposal of investments	(362)	(1,111)
Transfer of previously unrealised losses to realised reserve on investments written off but still held	–	778
Movement from current asset investments	–	(100)
Movement in unrealised gains	5,718	3,523
Closing accumulated unrealised gains	12,514	7,158
Historical cost basis		
Opening book cost	33,912	33,858
Purchases at cost	7,405	4,373
Sales at cost	(2,772)	(3,791)
Cost of investments written off but still held	–	(778)
Movement from current asset investments	–	250
Closing book cost	38,544	33,912

Closing cost is net of amounts of £1,974,000 (2015: £1,974,000) written off in respect of investments still held at the Balance sheet date.

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 Statement of cash flows due to restructuring of investments, conversion of convertible loan stock and settlement debtors and creditors.

Notes to the Financial Statements (continued)

10. Fixed asset investments (continued)

Unquoted investment valuation methodologies

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

Valuation Methodologies	31 December 2016 £'000	31 December 2015 £'000
Net assets supported by third party valuation	22,317	12,869
Price of recent investment (reviewed for impairment or uplift)	8,662	6,434
Earnings multiple	7,736	5,815
Revenue multiple	6,913	7,802
Cost reviewed for impairment or uplift	2,130	4,336
Discount to offer price	–	1,550
	47,758	38,806

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 2015 and 31 December 2016.

Change in valuation methodology (2015 to 2016)	Value as at 31 December 2016 £'000	Explanatory Note
Cost reviewed for impairment to net assets supported by third party valuation	3,776	Third party valuations prepared
Revenue multiple to price of recent investment	324	Investment round has recently taken place
Cost reviewed for impairment to price of recent investment	104	Investment round has recently taken place
Cost reviewed for impairment to earnings multiple	62	More relevant valuation methodology

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 2016.

FRS 102 and the SORP requires the Company to disclose the inputs to the valuation methods applied to its investments measured at fair value through profit or loss in a fair value hierarchy according to the following definitions:

The table below sets out fair value measurements using FRS 102 s11.27 fair value hierarchy, which has been adopted early. The Company has one class of assets, being at fair value through profit and loss.

Fair value hierarchy	Definition
Level 1	The unadjusted quoted price in an active market
Level 2	Inputs to valuations 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)

Quoted NASDAQ and LSE investments are valued according to Level 1 valuation methods. Unquoted equity, preference shares, and loan stock are all valued according to Level 3 valuation methods.

	31 December 2016	31 December 2015
	£'000	£'000
Level 3 reconciliation		
Opening valuation	38,806	34,865
Purchases at cost	5,938	4,373
Unrealised gains	4,792	3,802
Movement in loan stock accrued income	355	59
Transfer to Level 1*	–	(228)
Realised net gains on disposal	201	267
Movement from current asset investments	–	150
Disposal proceeds	(2,334)	(4,482)
Closing valuation	47,758	38,806

* During the year ended 31 December 2015 Xtera Communications Inc. was quoted on NASDAQ and transferred to Level 1 fair value hierarchy.

FRS 102 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. 58 per cent. of the portfolio of investments is based on cost, recent investment price or is loan stock, and as such the Board considers that the assumptions used for their valuations are the most reasonable. The Directors believe that changes to reasonable possible alternative assumptions (by adjusting the revenue and earnings multiples) for the valuations of the remainder of the portfolio companies could result in an increase in the valuation of investments by £1,706,000 or a decrease in the valuation of investments by £1,352,000.

For valuations based on earnings and revenue multiples, the Board considers that the most significant input is the price/earnings ratio; for valuations based on third party valuations, the Board considers that the most significant inputs are price/earnings ratio, discount factors and market value per room for care homes; which have been adjusted to drive the above sensitivities.

11. Significant holdings

The principal activity of the Company is to select and hold a portfolio of investments in 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 2016 as described below. The investments listed below are held as part of an investment portfolio and therefore, as permitted by FRS 102, they are measured at fair value and are not accounted for using the equity method.

Company	Country of incorporation	Profit/(loss) before tax	Net assets/(liabilities)	Number of shares held	% class and share type	% total voting rights
Academia Inc.	United States of America	n/a	n/a	774,400	23.2% Preferred shares	3.2%
Active Lives Care Limited	Great Britain	n/a*	1,373,000	1,095,430	20.3% Ordinary shares	20.3%
Antenova Limited	Great Britain	n/a*	1,038,000	9,226,988	22.0% Preferred shares	28.7%
Elateral Group Limited	Great Britain	(3,110,000)	(5,759,000)	17,380,462	37.7% Ordinary shares	37.7%
Proveca Limited	Great Britain	n/a*	(2,378,000)	40,289	35.8% D Ordinary shares	16.4%
Sift Digital Limited	Great Britain	n/a*	(403,000)	33,671,618	38.6% Ordinary shares	38.6%
Sift Limited	Great Britain	181,000	1,795,000	33,671,618	42.1% Ordinary shares	42.1%

* The company files abbreviated accounts which does not disclose this information.

Notes to the Financial Statements (continued)

12. Trade and other receivables less than one year

	31 December 2016 £'000	31 December 2015 £'000
Trade and other receivables less than one year	459	369
Prepayments and accrued income	17	19
	476	388

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

13. Creditors: amounts falling due within one year

	31 December 2016 £'000	31 December 2015 £'000
Trade creditors	5	17
Accruals	838	522
Other creditors	12	12
	855	551

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

14. Called up share capital

	£'000
Allotted, called up and fully paid	
253,303,558 Ordinary shares of 1 penny each at 31 December 2015	2,533
30,690,246 Ordinary shares of 1 penny each issued during the year	307
283,993,804 Ordinary shares of 1 penny each at 31 December 2016	2,840
31,463,000 Ordinary shares of 1 penny each held in treasury at 31 December 2015	(315)
4,912,000 Ordinary shares purchased during the year to be held in treasury	(49)
36,375,000 Ordinary shares of 1 penny each held in treasury at 31 December 2016	(364)
247,618,804 Ordinary shares of 1 penny each in circulation* at 31 December 2016	2,476

* Carrying one vote each

During the year the Company purchased 4,912,000 Ordinary shares (2015: 6,588,000) representing 1.7% of the issued Ordinary share capital as at 31 December 2016, at a cost of £905,000 (2015: £1,192,000), including stamp duty, to be held in treasury. The Company holds a total of 36,375,000 Ordinary shares in treasury, representing 12.8% of the issued Ordinary share capital as at 31 December 2016.

Under the terms of the Dividend Reinvestment Scheme, Circular dated 19 April 2011, the following new 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)	Net invested (£'000)	Opening market price on allotment date (pence per share)
29 April 2016	636,545	6	19.61	123	18.50
31 October 2016	649,493	6	19.16	123	18.50
	1,286,038	12		246	

Notes to the Financial Statements (continued)

14. Called up share capital (continued)

During the period from 1 January 2016 to 31 December 2016, the Company issued the following new Ordinary shares of nominal value 1 penny each under the Albion VCT Prospectus Top Up Offers 2015/2016:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
29 January 2016	8,861,834	89	20.20	1,754	18.25
29 January 2016	4,851,404	48	20.30	961	18.25
31 March 2016	15,306,074	153	20.80	3,088	18.25
6 April 2016	175,236	2	20.60	35	18.25
6 April 2016	44,280	–	20.70	9	18.25
6 April 2016	165,380	2	20.80	33	18.25
	29,404,208	294		5,880	

15. Basic and diluted net asset value per share

The basic and diluted net asset value per share as at 31 December 2016 of 21.41 pence (2015: 20.11 pence) are based on net assets of £53,010,000 (2015: £44,612,000) divided by the 247,618,804 shares in issue (net of treasury shares) at that date (2015: 221,840,558).

16. 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 on page 6.

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.

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 £51,601,000 (2015: £41,257,000). Fixed asset investments form 97% of the net asset value as at 31 December 2016 (2015: 92%).

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

Notes to the Financial Statements (continued)

16. Capital and financial instruments risk management (continued)

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 102 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 £5,160,000 (2015: £4,126,000).

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 2016, the Company held an investment denominated in US dollars of £2,260,000 (2015: £2,451,000).

During the year to 31 December 2016, sterling depreciated by 16.75% (2015: depreciated by 4.72%) against the US dollar.

Interest rate risk

The Company is exposed to fixed and floating rate interest rate risk on its financial assets. 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 £31,000 (2015: £34,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been unlikely.

The weighted average effective interest rate applied to the Company's fixed rate fixed asset investments during the year was approximately 7.3% (2015: 7.3%). The weighted average period to maturity for the fixed rate fixed asset investments is approximately 5.6 years (2015: 6.4 years).

The Company's financial assets and liabilities as at 31 December 2016, denominated in pounds sterling, consist of the following:

	31 December 2016				31 December 2015			
	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	–	–	27,094	27,094	–	–	22,148	22,148
Quoted equity	–	–	3,843	3,843	–	–	2,451	2,451
Unquoted loan stock	19,273	661	730	20,664	11,982	661	4,015	16,658
Debtors *	–	–	459	459	–	–	372	372
Current liabilities	–	–	(855)	(855)	–	–	(551)	(551)
Cash	–	1,788	–	1,788	–	3,518	–	3,518
Total net assets	19,273	2,449	31,271	52,993	11,982	4,179	28,435	44,596

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

Notes to the Financial Statements (continued)

16. Capital and financial instruments risk management (continued)

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 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 2016 was limited to £20,664,000 (2015: £16,658,000) of unquoted loan stock instruments, £1,788,000 (2015: £3,518,000) cash on deposit with banks and £459,000 (2015: £372,000) 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 National Westminster 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 2016 (2015: £nil) and had cash, before its current fundraising (raising £3.8 million in January 2017) of £1,788,000 (2015: £3,518,000). The Company had no investment commitments as at 31 December 2016 (2015: £2,396,000).

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 2016 are short term in nature and total £855,000 (2015: £551,000).

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

Redemption date	31 December 2016				31 December 2015			
	Fully performing £'000	Past due £'000	Impaired £'000	Total £'000	Fully performing £'000	Past due £'000	Impaired £'000	Total £'000
Less than one year	1,119	–	–	1,119	2,081	–	–	2,081
1-2 years	1,577	–	–	1,577	1,147	–	–	1,147
2-3 years	6,113	–	–	6,113	1,417	–	–	1,417
3-5 years	4,135	–	–	4,135	5,340	–	–	5,340
5 + years	5,735	1,985	–	7,720	5,520	1,153	–	6,673
Total	18,679	1,985	–	20,664	15,505	1,153	–	16,658

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 £1,985,000 yielding an average of 13% which has interest past due by less than one year.

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

Notes to the Financial Statements (continued)

16. Capital and financial instruments risk management (continued)

Fair values of financial assets and financial liabilities

All of the Company's financial assets and liabilities as at 31 December 2016 are 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.

17. Commitments, contingencies and guarantees

As at 31 December 2016, the Company had no financial commitments (2015: £2,396,000).

There were no contingent liabilities or guarantees given by the Company as at 31 December 2016 (2015: £nil).

18. Post balance sheet events

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

- Investment of £190,000 in Quantexa Limited
- Investment of £123,000 in Black Swan Data Limited
- Investment of £6,000 in Beddlestead Farm Limited

Albion VCT Prospectus Top Up Offers 2016/2017

On 29 November 2016 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.

The following new Ordinary shares of nominal value 1 penny each were allotted under the Offers after 31 December 2016:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
31 January 2017	4,249,243	42	20.90	870	19.00
31 January 2017	1,647,857	16	21.00	338	19.00
31 January 2017	12,460,938	125	21.10	2,550	19.00
	18,358,038			3,758	

As a result of the strong demand for the Company's shares the Board was able to announce on 22 February 2017 that subscription had reached its £6 million limit under the prospectus offer and is now closed.

19. Related party transactions

Other than transactions with the Manager as disclosed in note 4, there are no 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 17 May 2017 at 11.00am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 8 will be proposed as ordinary resolutions and numbers 9 to 11 as special resolutions.

Ordinary Business

1. To receive and adopt the Company’s accounts for the year ended 31 December 2016 together with the report of the Directors and Auditor.
2. To approve the Directors’ remuneration policy for the year ended 31 December 2016.
3. To approve the Directors’ remuneration report for the year ended 31 December 2016.
4. To re-elect Thomas Chambers as a Director of the Company.
5. To re-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.
6. To authorise the Directors to agree the Auditor’s remuneration.

Special Business

7. Increase in Directors’ aggregate remuneration

That under Article 91 of the Articles of the Company, the aggregate amount of the ordinary remuneration of the Directors be increased to an amount not exceeding £100,00 per year in aggregate.

8. Authority to allot shares

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 £604,704 (representing approximately 20 per cent. of the issued share capital as at the date of this notice) 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.

9. Authority for the disapplication of pre-emption rights

That subject to and conditional on the passing of resolution number 8, 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 8 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) in connection to any Dividend Reinvestment Scheme introduced or operated by the Company;
- (c) in connection with any Top up Offers; and
- (d) otherwise than pursuant to paragraphs (a) to (c) above, up to an aggregate nominal amount of £604,704 (representing approximately 20 per cent. of the issued share capital as at the date of this notice).

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 8” were omitted.

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

Notice of Annual General Meeting (continued)

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.

10. Authority to purchase own shares

That, subject to and in accordance with the Company's Articles of Association, the Company be generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Act, 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 per cent. 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 an ordinary share is 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 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

11. 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.

By order of the Board

Albion Ventures LLP

Company Secretary

Registered office

1 King's Arms Yard

London, EC2R 7AF

21 March 2017

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

Notice of Annual General Meeting (continued)

Notes

- 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 15 May 2017.

- 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.

- 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 15 May 2017 (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.
- 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 15 May 2017. 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.

- 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.
- 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.
- 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

Notice of Annual General Meeting (continued)

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 "Investor Centre" 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 20 March 2017 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital comprises 302,351,842 Ordinary Shares with a nominal value of 1 penny each. The Company also holds 36,375,000 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 20 March 2017 are 265,976,842.

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 2016 (pence per share)	31 December 2015 (pence per share)	31 December 2014 (pence per share)
Net asset value of Kings Arms Yard VCT PLC	21.41	20.11	19.31
Dividends paid to shareholders of Kings Arms Yard VCT PLC			
Dividends paid during the year	1.00	1.00	1.00
Cumulative dividends paid to 31 December 2016	64.33	63.33	62.33
Total shareholder return ⁽¹⁾ per 100p invested to shareholders of Kings Arms Yard VCT PLC (formerly SPARK VCT plc, Quester VCT PLC)	85.74	83.44	81.64
Total shareholder return including tax benefits ⁽²⁾	105.74	103.44	101.64
Total shareholder return to former shareholders of:			
Quester VCT 2 PLC, per 100p invested in shares of that company			
Total shareholder return	71.94	69.58	67.74
Total shareholder return including tax benefits ⁽²⁾	91.94	89.58	87.74
Quester VCT 3 PLC, per 100p invested in shares of that company			
Total shareholder return	45.36	43.10	41.33
Total shareholder return including tax benefits ⁽²⁾	65.36	63.10	61.33
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 shareholder return	42.72	39.78	37.47
Total shareholder return including tax benefits ⁽²⁾	62.72	59.78	57.47
Quester VCT 5 PLC (renamed SPARK VCT 3 plc), per 100p invested in shares of that company			
Total shareholder return	55.84	51.54	48.17
Total shareholder return including tax benefits ⁽²⁾	75.84	71.54	68.17

(1) Net asset value plus cumulative dividends 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
31 December 2015	1.000
31 December 2016	1.000
Total dividends paid to 31 December 2016	64.329
Net asset value as at 31 December 2016	21.410
Total shareholder return to 31 December 2016	85.739

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
31 December 2015	1.025
31 December 2016	1.025
Total dividends paid to 31 December 2016	49.995
Net asset value as at 31 December 2016	21.943
Total shareholder return to 31 December 2016	71.938

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
31 December 2015	0.982
31 December 2016	0.982
Total dividends paid to 31 December 2016	24.341
Net asset value as at 31 December 2016	21.016
Total shareholder return to 31 December 2016	45.357

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
31 December 2015	1.281
31 December 2016	1.281
Total dividends paid to 31 December 2016	15.305
Net asset value as at 31 December 2016	27.418
Total shareholder return to 31 December 2016	42.723

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
31 December 2015	1.871
31 December 2016	1.871
Total dividends paid to 31 December 2016	15.777
Net asset value as at 31 December 2016	40.065
Total shareholder return to 31 December 2016	55.842





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