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Kings Arms Yard VCT PLC

ALBION VENTURES

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Company information

Company number	03139019
Directors	R A Field, Chairman T W Chambers M G Fiennes A P M Lamb
Manager, company secretary 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	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Legal adviser	SGH Martineau LLP No 1 Colmore Square Birmingham B4 6AA

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

Shareholder information

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

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

IFA information

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

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

Investment objectives

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

- The Company intends to achieve its strategy by adopting an investment policy for new investments which over time will rebalance the portfolio such that approximately 50 per cent. of the portfolio comprises an asset-backed portfolio of more stable, ungeared businesses, principally operating in the healthcare, environmental and leisure sectors (the “Asset-Backed Portfolio”). The balance of the portfolio, other than funds retained for liquidity purposes, will be invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to a limited number of higher risk technology companies (the “Growth Portfolio”).
- In neither category would portfolio companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of qualifying investments by cost will comprise loan stock secured with a first charge on the portfolio company's assets.
- The Company's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term. The Asset-Backed Portfolio is designed to provide stability and income whilst still maintaining the potential for capital growth. The Growth Portfolio is intended to provide highly diversified exposure through its portfolio of investments in unquoted UK companies.
- Funds held pending investment or for liquidity purposes will be held as cash on deposit or in floating rate notes or similar instruments with banks or other financial institutions with a Moody's rating of 'A' or above.

Financial calendar

Record date for second dividend	6 September 2013
Payment date of second dividend	30 September 2013
Financial year end	31 December 2013

Financial summary (unaudited)

	Unaudited six months ended 30 June 2013 (pence per share)	Unaudited six months ended 30 June 2012 (pence per share)	Audited year ended 31 December 2012 (pence per share)
Dividends paid	0.50	0.50	1.00
Revenue return	0.10	–	–
Capital return	0.50	0.90	3.10
Net asset value enhancement as a result of share buy backs	0.10	–	0.10
Net asset value	19.10	17.10	18.90

Shareholder net asset value total return

	From Launch to 31 December 2010 (pence per share)	1 January 2011* to 30 June 2013 (pence per share)	From Launch to 30 June 2013 (pence per share)
Subscription price per share at launch	100.00	–	100.00
Dividends paid	58.66	2.17	60.83
(Decrease)/increase in shareholder net asset value	(83.40)	2.50	(80.90)
	<hr/>	<hr/>	<hr/>
Shareholder net asset value total return ⁽¹⁾	75.26	4.67	79.93

* Date that Albion Ventures LLP was appointed Manager.

Current annual dividend objective (pence per share)

1.00

The Directors have declared a second dividend of 0.5 pence per share for the year ended 31 December 2013, which will be paid on 30 September 2013 to shareholders on the register as at 6 September 2013.

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 22.

Notes

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

Chairman's statement

Introduction

The six month period to 30 June 2013 has demonstrated further satisfactory progress. The Manager has continued to rebalance the portfolio towards asset-backed, immediately yielding investments, resulting in a doubling of income over the same period last year. In addition, they have succeeded in achieving growth from the legacy portfolio as well as from more recent investments.

Improvement in net asset value per share has more than covered our regular biannual dividend, the yield from corporate loan stock in portfolio companies is improving steadily and the overall portfolio is looking increasingly robust.

Results

Net asset value has improved in the period from 18.90p per share at 31 December 2012 to 19.10p per share at 30 June 2013, after the payment of a 0.50p per share dividend during the period. Net asset value total return per share has increased from 79.23p to 79.93p.

Both the newly developed asset-backed investment portfolio and the high-growth portfolio have shown overall improvements in value.

The yield from loan stock investments within the portfolio, which has been built up substantially since the change in management in 2011, has increased to 6.6 per cent. versus 5.5 per cent. in the full year to 31 December 2012 and 4.7 per cent. in the half year to 30 June 2012.

Investment activity

A number of interesting potential new investments are currently under investigation. New investments added to the portfolio during the period comprises GWH Acquisition (£1,306,000), which will develop a hydroelectric project in North West Scotland, and MyMeds&Me (£366,000), which provides software as a service to the healthcare industry. This company was set up in 2011 to build a platform for the collection and management of product complaints and other adverse events in the pharmaceutical sector, enabling customers to reduce costs and improve patient outcomes, while complying with regulatory requirements.

Proveca was also a recent healthcare investment. The company seeks authorisation for the paediatric use of established off-patent drugs thus obtaining ten year exclusivity. The initial investment was made in December 2012 and a planned second tranche of £358,000, in a mixture of equity and loan stock, was made in June 2013.

A further planned £345,000 has been invested in Dragon Hydro, a small scale hydroelectric project in Wales in which a first investment was made in 2012. Construction is now complete, with electricity generation due to commence shortly, supported by attractive Feed In Tariff rates. This brings our overall investment in renewable energy up to 16 per cent. of our investment portfolio.

Meanwhile a number of follow-on investments have been made in companies within our legacy portfolio. A further investment of £100,000 was made in Celoxica Holdings, resulting in a small write down. The company is, however, trading well. Oxford Immunotec provides diagnostic kits and lab tests for the detection of latent diseases including TB. It has a healthy and growing order book, but needs cash to fund this growth and £48,000 has been invested in preference equity. Perpetuum, the designer and manufacturer of vibration energy harvesters and sensors, is another investment which is showing some promise and winning orders, but required more cash to fund growth in the short term. Accordingly £51,000 has been invested in 12 per cent. loan stock due to mature within twelve months. Symetrica is a designer and manufacturer of radiation detection products for which there is an active market in the defence and security sectors. A further £30,000 has been invested to allow the company to market its latest generation of products. The only exit during the period was from Isango!, the travel business in which our small remaining share eventually realised £66,000. The Company also received a further and final distribution of £22,000 from Westchester Holdings (formerly Boxman.com), an investment that had been written off several years ago.

Valuations

Once again the Board has rigorously examined and revalued the portfolio. The net effect has been positive. Three movements are worthy of note.

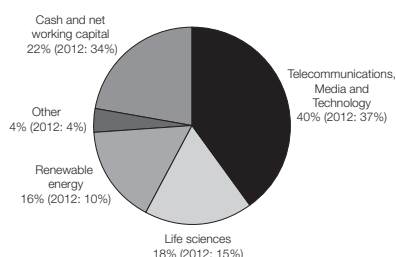
Chairman's statement continued

Atego provides and supports software development products for the automotive, aerospace and defence industries. Since their appointment in 2011, the Manager has been very active in addressing management issues within the company and there have been subsequent significant board changes. These actions have borne fruit. Both turnover and profit have grown significantly and this growth is reflected in the price earnings valuation that we place on the business resulting in an uplift of £990,000.

Cluster Seven, the specialist provider of software to audit excel spreadsheets, has acquired a significant new customer and is trading above forecast, resulting in an uplift of £502,000 to our revenue based valuation.

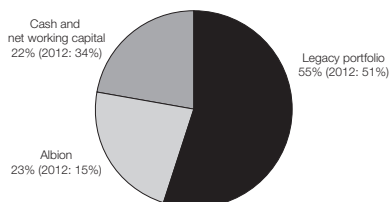
Less positively, UniServity, the hosted learning platform for schools, has been adversely affected by changes in the state funding of schools in the UK and we have considered it prudent to reduce our carrying value by £1.6 million.

Distribution of net assets at carrying value, by sector as at 30 June 2013 (31 December 2012)



Source: Albion Ventures LLP

Distribution of net assets at carrying value, for the legacy portfolio and for investments made into new companies by Albion Ventures LLP as at 30 June 2013 (31 December 2012)



Source: Albion Ventures LLP

Dividends

Progress to date gives the Board confidence in the sustainability of our dividend policy and we are, therefore, pleased to announce a further dividend of 0.50p per share to be paid on 30 September 2013, to shareholders on the register as at 6 September 2013.

Venture Capital Trust (VCT) Regulations

The Company is an active member of The Association of Investment Companies ("AIC") which is extremely energetic in defending and promoting the position of VCTs vis-a-vis Government and other regulators and making sure that the attractive advantages of VCT status are maintained for both present and prospective shareholders. Over the past few years a number of initiatives, frequently originating in Brussels, have threatened this status and most recently proposals from the Financial Conduct Authority on restrictions on the retail distribution of unregulated collective investment schemes might have had unforeseen adverse consequences on our sector. The Board and Manager supported the AIC in campaigning for VCTs to be excluded from these proposals and we are pleased to note the announcement that VCTs are to be exempt from these potential restrictions.

Liquidation of Kings Arms Yard VCT 2 PLC ("KAY2")

KAY2 was dissolved on 8 April 2013, allowing the release of £22,000 of previously estimated and accrued merger costs.

Transactions with the Manager

Details of transactions with the Manager for the reporting period can be found in note 4 of this Half-yearly Financial Report. Details of related party transactions can be found in note 12.

Performance incentive fee

The Annual General Meeting on 24 May 2013, provided a lively debate on the subject of the Management incentive fee and on Management rewards generally. The Management incentive scheme that the Board had put forward was approved by 88 per cent. of shareholder votes cast and is now therefore in place. However, as I pointed out in my last statement to shareholders, this scheme will not come into effect unless and until net asset value per share after the payment of all dividends

Chairman's statement continued

shall have reached 20 pence thus no payment is due for the period under review. It is worth noting that even if this 20 pence net asset value target is reached, no reward will be payable unless total shareholder return grows thereafter by more than the total of the Retail Price Index plus 2 per cent. per annum, so the Manager still has a substantial hill to climb.

Share buy-backs

It remains the Company's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. This includes the maintenance of sufficient cash resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention over time for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

During the six months the Company has bought back 9,631,000 of its shares at a total cost of £1,612,000, including stamp duty. These shares were bought at an average discount of 12 per cent. resulting in a 0.10 pence per share uplift in net asset value for continuing shareholders.

Risks and uncertainties

The outlook for the UK economy continues to be the key risk affecting your Company. Investment in small and unquoted companies also carries particular risks

of its own. The Company's investment risk is mitigated by a number of processes, including our policy of ensuring that the Company has a first charge over portfolio companies' assets wherever possible.

Other risks and uncertainties remain unchanged as set out on pages 17 to 19 of the Annual Report and Financial Statements for the year ended 31 December 2012.

Outlook

There are perhaps some signs that the UK economy is gradually gaining confidence, but many uncertainties, particularly related to the burden of sovereign debt and the lack of debt finance available to small businesses, remain. Nevertheless your Company continues to make positive progress and to create improved returns for shareholders.

Your Board believes that the current investment policy offers the best prospect of further improvements in capital value and a sustainable long term dividend.

Robin Field

Chairman
28 August 2013

Responsibility statement

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

In preparing these summarised Financial Statements for the period to 30 June 2013, we the Directors of the Company, confirm that to the best of our knowledge:

- (a) the summarised set of Financial Statements has been prepared in accordance with the pronouncement on interim reporting issued by the Accounting Standards Board
- (b) the interim management report, of which the Chairman's statement forms a part, includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);
- (c) the summarised set of Financial Statements gives a true and fair view in accordance with UK GAAP of the assets, liabilities, financial position and profit and loss of the Company for the six months ended 30 June 2013 and comply with UK GAAP and Companies Act 2006; and

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

The accounting policies applied to the Half-yearly Financial Report have been consistently applied in current and prior periods and are those applied in the Annual Report and Financial Statements for the year ended 31 December 2012.

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

By order of the Board

Robin Field

Chairman

28 August 2013

Portfolio of investments (unaudited)

The following is a summary of fixed asset investments as at 30 June 2013:

Fixed asset investments	% voting rights	Accounting cost ⁽¹⁾ £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period ⁽²⁾ £'000
Asset-backed unquoted investments					
GWH Acquisition Limited	16.7	1,306	–	1,306	–
Alto Prodotto Wind Limited	11.1	1,000	284	1,284	284
The Street by Street Solar Programme Limited	10.0	1,000	151	1,151	151
Regenerco Renewable Energy Limited	9.8	935	52	987	52
Dragon Hydro Limited	17.2	591	1	592	1
AVESI Limited	14.8	460	–	460	–
Bravo Inns II Limited	2.8	400	5	405	6
Greenenerco Limited	8.6	300	2	302	2
Total asset-backed unquoted investments		5,992	495	6,487	496
High-growth unquoted investments					
Elateral Group Limited	37.7	2,243	2,193	4,436	172
Oxford Immunotec Limited	3.5	1,524	2,219	3,743	(48)
Atego Group Limited	9.5	960	1,697	2,657	990
Cluster Seven Ltd	28.6	2,218	45	2,263	502
Sift Limited	40.2	3,271	(1,911)	1,360	233
Antenova Limited	12.3	1,543	(306)	1,237	(51)
Hilson Moran Holdings Limited	15.0	818	230	1,048	279
Lab M Holdings Limited	26.4	690	154	844	101
Academia Networks Limited	5.3	351	483	834	91
Proveca Limited	12.1	572	10	582	10
Haemostatix Limited	18.9	1,330	(772)	558	–
Symetrica Limited	3.4	309	245	554	50
Perpetuum Limited	12.8	1,365	(823)	542	130
UniServity Limited ⁽³⁾	93.6	3,710	(3,302)	408	(1,646)
Xention Limited	5.2	608	(212)	396	1
MyMeds&Me Limited	7.3	366	7	373	7
Celoxica Holdings plc	4.4	513	(157)	356	(128)
Abcodia Limited	6.7	235	–	235	–
Xtera Communications Limited	1.1	85	–	85	–
Clear2Pay NV	0.1	129	(55)	74	6
The Wentworth Wooden Jigsaw Company Limited ⁽⁴⁾	5.4	–	67	67	67
TeraView Limited	1.0	1,197	(1,184)	13	–
Oxonica Limited	2.1	185	(185)	–	–
Total high-growth unquoted investments		24,222	(1,557)	22,665	766
Quoted investments					
Allergy Therapeutics plc (AIM)		456	(332)	124	(16)
Total quoted investments		456	(332)	124	(16)
Total fixed asset investments		30,670	(1,394)	29,276	1,246
Movement in loan stock accrued interest					(23)
Unrealised loss on current asset held at fair value through profit or loss					(38)
Unrealised gains					1,185
Realised gains in the period					77
Total gains on investments as per Income statement					1,262

(1) Amounts shown as accounting cost represent the acquisition cost in the case of investments originally made by the Company and/or the valuation attributed to the investments acquired from 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.

(2) After adjustment for additions and disposals.

(3) As permitted by FRS2 "Accounting for Subsidiary Undertakings", holdings in excess of 50 per cent. of the equity of an investment company may be excluded from consolidation where the holding is held exclusively for subsequent resale. The results of UniServity Limited, where the Company holds in excess of 50 per cent. of that company's equity are, therefore, excluded from consolidation as the interest in UniServity Limited is held exclusively for subsequent resale and has not previously been consolidated with the Company.

(4) The Wentworth Wooden Jigsaw Company Limited, which has been written off for some time, has recently shown signs of improvement.

Portfolio of investments (unaudited) continued

	Accounting cost ⁽¹⁾ £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period ⁽²⁾ £'000
Current asset investments				
Royal Bank of Scotland Euro Medium Term Note 6.375% 26/06/12 to 29/04/14	1,974	(36)	1,938	(38)
Close Brothers Limited Fixed Term Deposit 3.0% to 12/03/14	3,500	–	3,500	–
Co-operative Bank plc Fixed term deposit 1.5625% to 09/01/14	250	–	250	–
Total current asset investments	5,724	(36)	5,688	(38)

	Cost £'000	Opening carrying value £'000	Disposal consideration £'000	Realised gain £'000	Gain/(loss) on opening or acquired value £'000
Realised gains in the period					
Hilson Moran Holdings Limited (loan stock repayment)	247	247	305	58	8
Isango! Limited (sold)	–	69	66	66	(3)
Westchester Holdings Limited (distribution from investment previously written off)	–	–	22	22	22
Vivacta Limited (escrow revaluation)*	247	316	393	146	27
	–	–	–	50	50
	247	316	393	196	77

* Vivacta escrow revaluation is a result of exchange movement

Summary income statement (unaudited)

		Unaudited six months ended 30 June 2013			Unaudited six months ended 30 June 2012			Audited year ended 31 December 2012		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	–	1,262	1,262	–	2,070	2,070	–	6,964	6,964
Investment income	3	430	–	430	212	–	212	511	–	511
Investment management fees	4	(98)	(294)	(392)	(88)	(262)	(350)	(175)	(526)	(701)
Other expenses		(159)	–	(159)	(140)	–	(140)	(273)	–	(273)
Exchange rate gain/(loss)		6	–	6	–	–	–	(35)	–	(35)
Return/(loss) on ordinary activities before tax		179	968	1,147	(16)	1,808	1,792	28	6,438	6,466
Tax on ordinary activities		–	–	–	–	–	–	–	–	–
Return/(loss) on ordinary activities after tax		179	968	1,147	(16)	1,808	1,792	28	6,438	6,466
Basic and diluted return per share (pence)	6	0.10	0.50	0.60	–	0.90	0.90	–	3.10	3.10

The accompanying notes on pages 15 to 21 form an integral part of this Half-yearly Financial Report.

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2012 and the audited statutory accounts for the year ended 31 December 2012.

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

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

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

There are no recognised gains or losses other than the results for the periods disclosed above. Accordingly a Statement of total recognised gains and losses is not required.

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

Summary balance sheet (unaudited)

	Note	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Fixed asset investments		29,276	29,420	25,794
Current assets				
Trade and other debtors		1,167	95	1,505
Current asset investments		5,688	2,974	5,476
Cash at bank and in hand	9	1,578	3,853	6,697
		8,433	6,922	13,678
Creditors: amounts falling due within one year		(297)	(597)	(642)
Net current assets		8,136	6,325	13,036
Net assets		37,412	35,745	38,830
Capital and reserves				
Called-up share capital	7	2,098	2,095	2,097
Share premium		65	14	27
Investment holding reserve		(1,503)	(2,024)	(2,569)
Other distributable reserve		36,752	35,660	39,275
Total equity shareholders' funds		37,412	35,745	38,830
Basic and diluted net asset value per share (pence)		19.10	17.10	18.90

The accompanying notes on pages 15 to 21 form an integral part of this Half-yearly Financial Report.

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2012 and the audited statutory accounts for the year ended 31 December 2012.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 28 August 2013 and were signed on its behalf by

Robin Field

Chairman

Company number: 03139019

Summary reconciliation of movements in shareholders' funds (unaudited)

	Called-up share capital £'000	Share premium account £'000	Investment holding reserve* £'000	Other distributable reserves* £'000	Total £'000
1 January 2013 (audited)	2,097	27	(2,569)	39,275	38,830
Return/(loss) for the period	—	—	1,185	(38)	1,147
Transfer of previously unrealised gains on disposal of investments	—	—	(119)	119	—
Purchase of treasury shares	—	—	—	(1,612)	(1,612)
Shares issued under the dividend reinvestment scheme	1	16	—	—	17
Kings Arms Yard VCT 2 PLC unutilised liquidation contingency	—	10	—	—	10
Saving on unutilised merger accruals	—	12	—	—	12
Dividends paid	—	—	—	(992)	(992)
As at 30 June 2013 (unaudited)	2,098	65	(1,503)	36,752	37,412
1 January 2012 (audited)	2,095	—	(4,984)	37,875	34,986
Return/(loss) for the period	—	—	2,096	(304)	1,792
Transfer of previously unrealised losses on disposal of investments	—	—	863	(863)	—
Shares issued under the dividend reinvestment scheme	—	14	—	—	14
Dividends paid	—	—	—	(1,047)	(1,047)
As at 30 June 2012 (unaudited)	2,095	14	(2,025)	35,661	35,745
1 January 2012 (audited)	2,095	—	(4,984)	37,875	34,986
Return for the period	—	—	1,379	5,087	6,466
Transfer of previously unrealised losses on disposal of investments	—	—	1,035	(1,035)	—
Purchase of treasury shares	—	—	—	(633)	(633)
Shares issued under the dividend reinvestment scheme	2	27	—	—	29
Dividends paid	—	—	—	(2,017)	(2,017)
As at 31 December 2012 (audited)	2,097	27	(2,569)	39,275	38,830

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2012 and the audited statutory accounts for the year ended 31 December 2012.

* The total distributable reserves are £35,249,000 (30 June 2012: £33,636,000; 31 December 2012: £39,706,000), comprising other distributable reserve net of investment holding losses.

Summary cash flow statement (unaudited)

	Note	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Operating activities				
Loan stock income received		254	150	395
Deposit interest received		106	79	75
Investment management fees paid		(366)	(175)	(529)
Other cash payments		(164)	(156)	(291)
Net cash flow from operating activities	8	(170)	(102)	(350)
Capital expenditure and financial investments				
Purchase of fixed asset investments		(2,560)	(4,522)	(6,296)
Disposal of fixed asset investments		391	365	10,360
Cash from investments previously sold or written off		31	403	404
Net cash flow from investing activities		(2,138)	(3,754)	4,468
Management of liquid resources				
Purchase of current asset investments		(250)	(1,993)	(5,474)
Disposal of current asset investments		-	1,976	1,976
Net cash flow from liquid resources		(250)	(17)	(3,498)
Equity dividends paid (net of costs of issuing shares under the Dividend Reinvestment Scheme and unclaimed dividends)*		(948)	(1,032)	(2,012)
Net cash flow before financing		(3,506)	(4,905)	(1,392)
Financing				
Cost of Merger (paid on behalf of the Company and Kings Arms Yard VCT 2 PLC)		-	-	(37)
Purchase of own shares		(1,613)	-	(632)
Net cash flow from financing		(1,613)	-	(669)
Cash flow in the period	9	(5,119)	(4,905)	(2,061)

The accompanying notes on pages 15 to 21 form an integral part of this Half-yearly Financial Report.

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2012 and the audited statutory accounts for the year ended 31 December 2012.

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

Notes to the unaudited summarised Financial Statements (unaudited)

1. Accounting policies

A summary of the principal accounting policies, which have been applied consistently in the current and in prior periods, is set out below. However, to enhance clarity of the financial reporting, the special reserve, treasury share reserve and profit and loss account have been presented as a single reserve named other distributable reserve. This has also been applied to prior periods.

Basis of accounting

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

Consolidation

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

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

Fixed asset investments

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

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

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

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;
- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the September 2009 IPEVCV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate a diminution include:
 - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
 - a significant adverse change either in the portfolio company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
 - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

Notes to the unaudited summarised Financial Statements (unaudited) continued

Current asset investments

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", units held in funds used for cash management are designated as fair value through profit and loss. These investments are classified as current asset investments as they are investments held for the short term.

Gains and losses on investments

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

Investment Income

Dividends receivable on quoted equity shares are recognised on the ex-dividend date. Income receivable on unquoted equity and non-equity shares and loan notes is recognised when the Company's right to receive payment and expect settlement is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis (including amortisation of any premium or discount to redemption) so as to reflect the effective interest rate, provided there is no reasonable doubt that payment will be received in due course. Income from fixed interest securities and deposit interest is included on an effective interest basis.

Investment management fees and other expenses

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

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

Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date,

at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

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

Foreign exchange

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

Reserves

Share premium account

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

Investment holding reserve

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

Other distributable reserve

The special reserve, treasury share reserve and profit and loss account have been combined as a single reserve named other distributable reserve.

Dividends

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

Notes to the unaudited summarised Financial Statements (unaudited) continued

2. Gains on investments

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Unrealised gains on fixed asset investments held at fair value through profit or loss	1,223	2,097	1,375
Unrealised loss on current asset investments held at fair value through profit or loss	(38)	(1)	–
Unrealised gains on deferred consideration held at fair value through profit or loss	–	–	4
Unrealised gains sub-total	1,185	2,096	1,379
Realised gains on fixed asset investments held at fair value through profit or loss	5	–	5,572
Realised gains/(loss) in respect of escrow receipts from previously sold investments and distributions from investments previously written off	72	(26)	13
Realised gains/(loss) sub-total	77	(26)	5,585
	1,262	2,070	6,964

3. Investment income

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Income recognised on investments held at fair value through profit or loss			
Listed fixed interest securities	59	12	72
Loan stock, convertible bonds and discounted debt	278	154	354
Other income	6	2	–
	343	168	426
Income recognised on investments held at amortised cost			
Bank deposit interest	87	44	85
	430	212	511

Notes to the unaudited summarised Financial Statements (unaudited) continued

4. Investment management fees

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Investment management fees charged to revenue	98	88	175
Investment management fees charged to capital	294	262	526
	392	350	701

The Manager, Albion Ventures LLP, is party to a management agreement from the Company (details of which are disclosed on page 20 of the Annual Report and Financial Statements for the year ended 31 December 2012). During the period, services with a value of £392,000 (30 June 2012: £350,000; 31 December 2012: £701,000) and £25,000 (30 June 2012: £25,000; 31 December 2012: £50,000) were purchased by the Company from Albion Ventures LLP in respect of investment management and administration fees respectively. At the period end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals was £210,000 (30 June 2012: £175,000; 31 December 2012: £185,000).

Albion Ventures LLP is, from time to time, eligible to receive transaction fees and Directors' fees from portfolio companies. During the period, fees of £50,000 (30 June 2012: £112,000; 31 December 2012: £209,000) attributable to the investments of the Company were received pursuant to these arrangements.

Albion Ventures LLP holds 1,084 shares as a result of the fractional entitlements arising from the Merger of Kings Arms Yard VCT 2 PLC on 30 September 2011. These shares will be sold for the benefit of the Company at a future date.

Albion Ventures LLP also holds 6,403 shares purchased to clear a dissenting shareholder in respect of the Merger of Kings Arms Yard VCT 2 PLC on 30 September 2011.

5. Dividends

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
First dividend of 0.50 pence per share paid on 25 May 2012	–	1,047	1,047
Second dividend of 0.50 pence per share paid on 28 September 2012	–	–	1,048
First dividend of 0.50 pence per share paid on 31 May 2013	992	–	–
Unclaimed dividends returned to Company	–	–	(78)
	992	1,047	2,017

The Directors have declared a second dividend of 0.50 pence per share for the year ended 31 December 2013, which will be paid on 30 September 2013 to shareholders on the register as at 6 September 2013.

Notes to the unaudited summarised Financial Statements (unaudited) continued

6. Basic and diluted return per share

	Unaudited six months ended 30 June 2013		Unaudited six months ended 30 June 2012		Audited year ended 31 December 2012	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return/(loss) attributable to shares (£'000)	179	968	(16)	1,808	28	6,438
Weighted average shares in issue (excluding treasury shares)	202,213,344		209,487,699		208,673,002	
Return per share (pence)	0.10	0.50	–	0.90	–	3.10

The weighted average number of shares is calculated excluding the treasury shares of 13,873,000 (30 June 2012: nil; 31 December 2012: 4,242,000).

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

7. Called-up share capital

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Allotted, issued and fully paid:			
Allotted, issued and fully paid			
Shares of 1 penny nominal value (£'000)	2,098	2,095	2,097
Number of shares of 1 penny nominal value	209,770,323	209,556,476	209,667,635
Voting rights			
Number of shares of 1 penny nominal value with voting rights	195,897,323	209,566,476	205,425,635

The Company operates a share buy-back programme, as detailed in the Chairman's Statement on page 7. During the period the Company purchased 9,631,000 Ordinary shares with a nominal value of £96,310 at a cost of £1,612,000, including stamp duty (30 June 2012: £nil; 31 December 2012; £633,000) to be held in treasury. The Company holds a total of 13,873,000 Ordinary shares in treasury, representing 6.6 per cent. of the issued Ordinary share capital as at 30 June 2013. The shares purchased for treasury were funded from other distributable reserve.

During the period, the Company issued the following new shares of 1 penny nominal value under the terms of the Dividend Reinvestment Scheme Circular dated 19 April 2011:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Consideration received net of costs (£'000)	Opening market price per share on allotment date (pence per share)
31 May 2013	102,688	1	18.40	17	17.50

Notes to the unaudited summarised Financial Statements (unaudited) continued

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

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Revenue return/(loss) on ordinary activities before tax	179	(16)	28
Exchange rate gain/(loss)	6	–	(35)
Investment management fees allocated to capital	(294)	(262)	(526)
Movement in accrued loan stock interest	(23)	(19)	(40)
(Increase)/decrease in debtors	(45)	27	(17)
Increase in creditors	7	168	240
Net cash flow from operating activities	(170)	(102)	(350)

9. Analysis of change in cash during the period

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Opening cash balances	6,697	8,758	8,758
Net cash flow	(5,119)	(4,905)	(2,061)
Closing cash balances	1,578	3,853	6,697

10. Commitments, contingencies and guarantees

As at 30 June 2013, the Company was committed to making investments of £874,000 in respect of further funding to be provided to existing portfolio companies (30 June 2012: £166,000; 31 December 2012: £188,000).

11. Post balance sheet events

Since 30 June 2013, the Company has completed the following investment transactions:

Further investments of:

- £100,000 in UniServy Limited;
- £90,000 in Bravo Inns II Limited; and
- £86,000 in Dragon Hydro Limited

12. Related party disclosures

There are no related party transactions in the period or balances, other than investments, between the Company and UniServy Limited.

During the period, Albion Ventures LLP, the Company's Manager, received £10,000 from UniServy Limited in respect of monitoring and arrangement fees.

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

Notes to the unaudited summarised Financial Statements (unaudited) continued

13. Going concern

The Board's assessment of liquidity risk remains unchanged and is detailed on pages 45 and 46 of the Annual Report and Financial Statements for the year ended 31 December 2012.

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

14. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 434 of the Companies Act 2006 for the periods ended 30 June 2013 and 30 June 2012, and is unaudited. The information for the year ended 31 December 2012 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 and is derived from the statutory accounts for that financial year, which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

15. Publication

This Half-yearly Financial Report is being sent to shareholders and copies will be made available to the public at the registered office of the Company, Companies House, the National Storage Mechanism and also electronically at www.albion-ventures.co.uk under the 'Our Funds' section by clicking on Kings Arms Yard VCT PLC, and looking in the Financial Reports and Circulars section for the Half-yearly Financial Report to 30 June 2013.

Financial summary for the Company and for previous funds

	Unaudited six months ended 30 June 2013 (pence per share)	Unaudited six months ended 30 June 2012 (pence per share)	Audited year ended 31 December 2012 (pence per share)
Net asset value of the Company (formerly SPARK VCT plc; Quester VCT plc)	19.10	17.10	18.90
Dividends paid to shareholders of the Company			
Dividends paid during the period	0.50	0.50	1.00
Cumulative dividend paid	60.83	59.83	60.33
Total net asset value return⁽¹⁾ (per 100p invested)	79.93	76.93	79.23
Total net asset value return to former shareholders of:			
Quester VCT 2 plc, per 100p invested in shares of that company	65.98	62.91	65.27
Quester VCT 3 plc, per 100p invested in shares of that company	39.65	36.71	38.97
Quester VCT 4 plc (renamed SPARK VCT 2 PLC and then Kings Arms Yard VCT 2 PLC), per 100p invested in shares of that company	35.28	31.44	34.38
Quester VCT 5 plc (renamed SPARK VCT 3 PLC), per 100p invested in shares of that company	44.97	28.96	43.66

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

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

Source: Albion Ventures LLP

Merger history for the Company and for previous funds

June 2005	QVCT2 and QVCT3 merged into QVCT
June 2008	All Quester names changed to SPARK: QVCT became Spark VCT plc (SVCT) QVCT4 became Spark VCT 2 plc (SVCT2) QVCT5 became Spark VCT 3 plc (SVCT3)
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

Dividend history for the Company and for previous funds

Kings Arms Yard VCT PLC ("KAY")

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

	(pence per share)
31 January 1997	0.937
31 January 1998	2.547
31 January 1999	2.875
31 January 2000	7.110
31 January 2001	26.650
31 January 2002	1.350
28 February 2006	1.250
28 February 2007	3.910
31 December 2007	4.220
31 December 2008	2.810
31 December 2010	5.000
31 December 2011	0.670
31 December 2012	1.000
30 June 2013	0.500
Total dividends paid to 30 June 2013	60.829
Net asset value as at 30 June 2013	19.100
Total net asset value return to 30 June 2013	79.929

Dividend history for the Company and for previous funds

continued

Quester VCT 2 PLC ("QVCT2")

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

	(pence per share)
28 February 1999	1.000
28 February 2000	3.065
28 February 2001	20.500
28 February 2002	2.000
28 February 2006	1.281
28 February 2007	4.007
31 December 2007	4.325
31 December 2008	2.880
31 December 2010	5.125
31 December 2011	0.687
31 December 2012	1.025
30 June 2013	0.512
Total dividends paid to 30 June 2013	46.407
Net asset value as at 30 June 2013	19.576
Total net asset value return to 30 June 2013	65.983

Quester VCT 3 PLC ("QVCT3")

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

	(pence per share)
28 February 2001	0.750
28 February 2002	1.000
28 February 2003	0.150
28 February 2006	1.227
28 February 2007	3.838
31 December 2007	4.142
31 December 2008	2.758
31 December 2010	4.908
31 December 2011	0.658
31 December 2012	0.982
30 June 2013	0.491
Total dividends paid to 30 June 2013	20.904
Net asset value as at 30 June 2013	18.749
Total net asset value return to 30 June 2013	39.653

Dividend history for the Company and for previous funds

continued

Quester VCT 4 PLC ("QVCT4")

QVCT4 was launched in 2000 and was renamed SPARK VCT 2 plc ("SVCT2") and then Kings Arms Yard VCT 2 PLC ("KAY2"). KAY2 merged with Kings Arms Yard VCT PLC ("KAY") in September 2011 with a share exchange ratio of 1.2806 KAY shares for each KAY2 share.

	(pence per share)
31 October 2002	1.750
31 October 2003	1.150
31 October 2005	1.000
31 October 2006	1.000
31 December 2007	1.000
31 December 2008	1.000
31 December 2010	1.000
31 December 2011	1.000
31 December 2012	1.281
30 June 2013	0.640
Total dividends paid to 30 June 2013	10.821
Net asset value as at 30 June 2013	24.459
Total net asset value return to 30 June 2013	35.280

Quester VCT 5 PLC ("QVCT5")

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

	(pence per share)
31 December 2003	0.500
31 December 2004	1.000
31 December 2006	1.000
31 December 2007	1.000
31 December 2010	1.461
31 December 2011	1.461
31 December 2012	1.871
30 June 2013	0.936
Total dividends paid to 30 June 2013	9.229
Net asset value as at 30 June 2013	35.743
Total net asset value return to 30 June 2013	44.972

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