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Advance AIM Value Realisation Company Limited  
Interim report 2007



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Directors and advisers Inside back cover

**Investment objective**

To realise value from a portfolio of AIM securities and progressively return cash to shareholders.

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**Financial highlights**

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**£37.8** million raised in the placing of the Company's Shares.

Number of holdings reduced from 86 to 55.

**£5.9** million returned to shareholders in the period from the Company's launch to 31 May 2007.

Net asset value per Participating Redeemable Preference Share ("Share") increased from 97.3p net of share issue expenses at launch to 99.7p per Share at 31 May 2007.

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# Chairman's statement

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Advance AIM Value Realisation Company Limited ("AIMVARC" or "the Company") was incorporated on 22 November 2006 to provide a service for institutions wishing to rationalise their portfolios of AIM quoted and smaller UK listed company shares.

AIMVARC is managed by Progressive AIM Realisation Limited ("PARL"), a subsidiary of Progressive Value Management Limited ("PVML"), which has expertise in achieving value and liquidity from such stocks. PVML was formerly the manager of Advance Value Realisation Company Limited ("ADVARC") and Second Advance Value Realisation Company Limited ("SAVR") and is currently the manager of Third Advance Value Realisation Company Limited ("TAVR"). One of our directors, David Kempton, is a director of TAVR.

AIMVARC develops the concept of ADVARC, SAVR and TAVR but with a different structure to reflect its focus on AIM shares. The objective of the Company is to realise value from the portfolio and progressively return cash to shareholders. AIMVARC was launched by means of a "stock swap" whereby the Company issued Participating Redeemable Preference Shares of no par value as consideration for the acquisition of holdings in 86 companies. The Company's shares were admitted to AIM on 20 December 2006, with further shares issued pursuant to a supplemental placing being admitted on 17 January 2007. At launch, the portfolio of qualifying companies established in this way was valued at £37.8 million.

I am pleased to report that during our first reporting period to 31 May 2007 the manager has been active, reducing the number of holdings to 55 and realising £8.8 million. These funds have been utilised to buy in 200,100 of the company's Shares at a discount to net asset value and to fund the first pro rata redemption, whereby approximately 15% of the original subscription value was returned to shareholders. A total of 5,700,414 Shares were redeemed on 31 May 2007 at a price of 100.01p per Share.

The NAV at the period end was 99.7 pence per Share, up slightly from the opening NAV, net of the expenses of the flotation, of 97.3 pence per Share.

The net revenue loss per Share for the period to 31 May 2007 was 0.2p. As stated in the AIM admission document, the Company seeks to achieve capital growth rather than to provide dividend income and it is therefore unlikely that the Company will pay any significant dividends.

We have suffered a couple of setbacks since the period end with the suspension of the shares in both The Debt Advisor Group and Medal Entertainment & Media. Following the respective announcements, we have written down the value of both holdings to £nil; nevertheless the NAV has remained stable. The Company currently holds £2.4 million in cash and your Board anticipates that a further substantial amount of cash will be available for distribution in the next pro rata redemption of Shares due to take place on 30 November 2007.

**Sandy Fleming**  
1 August 2007

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# Manager's report

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The Company's portfolio was acquired by way of "stock swap" in a placing in December last year and a supplemental placing in January this year. In aggregate the Company acquired holdings in 86 companies from 23 investment institutions. We are pleased that a number of these investors had participated in earlier funds managed by us whilst others participated for the first time. The launch of our work-out fund provides institutions with an opportunity to rationalise their portfolios and enhance investment efficiency. Prior to acceptance in the placing, each holding was screened to ensure that securities offered met the criteria for inclusion in the portfolio set out in the AIM admission document.

We spend considerable time in the initial period evaluating each holding to decide the most appropriate exit strategy and to assess target timing and price levels. This includes meeting the management of many of the larger holdings and talking to relevant third parties about the industrial context in which investee companies operate.

AIMVARC's portfolio on launch provided a broad spread of holdings. It was overweight against the AIM index in the general financial sub sector (7.1% overweight), oil equipment services and distribution (6.2% overweight) industrial engineering (5.6% overweight) and equity investment instruments (5.3% overweight). There were 21 holdings which represented more than 3% of the underlying company's equity and 30 which were between 1.0% and 2.99%.

The Company has benefited from a number of take-over transactions including cash bids for Teesland Properties and International Nuclear Solutions and the reverse takeover of BlueHeath by Booker. Material holdings which have performed well include TEG, Ffastfill, Hallin Marine Subsea, Quantica and EservGlobal. Despite the price rises, the realisation of liquidity from some of these holdings can present a challenge.

Poorer performers include the holdings in Bede, Clearspeed Technology, CML Microsystems, Medal Entertainment, Vigilant Technology and XL tech Group. The worst performer was the holding in The Debt Advisor Group ("TDA"), formerly know as Compass Finance, a mortgage broker and IVA advisor which was admitted to AIM in February 2004. Following a period of difficult trading conditions, which affected many in the sector, it became apparent that industry consolidation was required. Following the termination of talks with a potential buyer the company's shares were suspended on 7 June 2007 pending clarification of its financial position. The value of this holding has been written down to £nil subsequent to the date of these accounts.

The Company's NAV has recovered from this setback at the start of the second period. We are pleased to report that Bede has entered preliminary talks with a potential bidder, a course of action that we have been encouraging for some time, and Quantica has received a recommended offer from Berkley Scott. We continue to seek liquidity for our investors whilst paying careful regard to our valuation targets.

**Progressive AIM Realisation Limited**

1 August 2007

# Top ten holdings

At 31 May 2007	By valuation £'000	Percentage of Portfolio (%)
The TEG Group	2,264	7.52
The Ottoman Fund	2,175	7.22
Hallin Marine Subsea International	1,939	6.44
Quantica	1,932	6.42
Econergy International	1,817	6.04
XL Techgroup	1,634	5.43
Ffastfill	1,388	4.61
CML Microsystems *	1,345	4.47
Strathdon Investments	1,295	4.30
Eservglobal	1,149	3.82
	<b>16,938</b>	<b>56.27</b>
Other holdings	13,168	43.73
	<b>30,106</b>	<b>100.00</b>

Unless otherwise stated, the above are holdings in ordinary shares of companies quoted on AIM.

\*Listed on London Stock Exchange

# Income statement

	22 November 2006 to 31 May 2007 Revenue £'000	22 November 2006 to 31 May 2007 Capital £'000	22 November 2006 to 31 May 2007 Total £'000
<b>Gains/(losses) on investments</b>			
Realised	–	2,321	2,321
Unrealised	–	(1,206)	(1,206)
	–	<b>1,115</b>	<b>1,115</b>
<b>Income</b>			
– from investments	119	–	119
– bank interest	50	–	50
	<b>169</b>	<b>1,115</b>	<b>1,284</b>
Investment management fees	(123)	(123)	(246)
Other expenses	(132)	–	(132)
<b>Return on ordinary activities</b>	<b>(86)</b>	<b>992</b>	<b>906</b>
Return per Share	(0.23)p	2.66p	2.43p

The Company was incorporated on 22 November 2006. There are no comparatives as this is the Company's first period of operations and accordingly the above figures relate to the period from commencement of operations on 20 December 2006 to 31 May 2007.

The total column is the profit and loss account of the company.

All capital and revenue items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

Return per Share is based on the weighted average number of 37,315,682 Shares in issue from the Company's launch on 20 December 2006 to 31 May 2007.

# Balance sheet

At 31 May 2007  
£'000

<b>Fixed assets</b>	
Investments at fair value	<b>30,106</b>
<b>Current assets</b>	
Other debtors	38
Cash at bank and in hand	1,863
	<b>1,901</b>
<b>Current liabilities</b>	
Purchases for future settlement	5
Accrued liabilities	159
	<b>164</b>
<b>Net current assets</b>	<b>1,737</b>
<b>Total net assets</b>	<b>31,843</b>
<b>Capital and reserves</b>	
Share premium	31,949
Share issue expenses	(1,012)
Realised capital reserve	2,198
Revaluation reserve	(1,206)
Revenue reserve	(86)
<b>Equity shareholders' funds</b>	<b>31,843</b>
Net asset value per Share	99.70p
No. of Shares in issue	31,935,830

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# Reconciliation of movement in shareholders' funds

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22 November  
2006 to  
31 May 2007  
£'000

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Profit for financial period	906
Placing of Company's shares*	36,824
Purchase and redemption of Company's shares	(5,887)
<b>Closing shareholders' funds</b>	<b>31,843</b>

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\*net of share issue expenses

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# Cash flow statement

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22 November  
2006 to  
31 May 2007  
£'000

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**Operating activities**

Cash inflow from investment income and bank interest	138
Cash outflow from management expenses	(227)
Cash inflow from disposal of investments	8,846

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**Net cash inflow from operating activities** **8,757**

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**Financing**

Expenses of issue of share capital	(1,012)
Payments to purchase own shares	(5,882)

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**Net cash outflow from financing** **(6,894)**

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**Increase in cash** **1,863**

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# Notes to the accounts

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**1 Status**

The Company is a closed-ended investment company incorporated and resident in Guernsey.

**2 Accounting policy**

The Company presents its accounts in accordance with applicable International Financial Reporting Standards ("IFRS"). The Company has also taken into account the guidance of Statement of Recommended Practice issued by the Association of Investment Companies to the extent that it is appropriate and compatible with IFRS.

**3 Comparatives**

There are no comparatives as this is the Company's first reporting period. The Company was incorporated on 22 November 2006 and was admitted to trading on AIM on 20 December 2006.

**4 Investments**

Investments are listed on the London Stock Exchange or quoted on AIM. All investments have been classified as "fair value through profit and loss". At the period end all listed and quoted investments have been valued at market bid prices at that time. Suspended securities at the period end have been valued at fair value as determined by the directors.

**5 Investment management fees**

One half of the basic and capital return fees payable have been charged to capital.

**6 Share capital**

Upon incorporation, the Company issued 2 founders' shares of £1 nominal value each.

Pursuant to the Placing, the Company issued 37,836,344 participating redeemable preference shares ("Shares") of no par value in the Company. The Shares were issued at £1 each.

**7 Redemption of Shares***Pro-rata redemptions*

On 31 May 2007 the first redemption of Shares took place and 5,700,414 Shares were redeemed at an aggregate cost of £5,700,984.

*Re-purchase and redemption of Shares*

During the period, the Company re-purchased and redeemed 200,100 Shares at an aggregate cost of £186,466.

**8 Net assets per Share**

Net assets per Share is based on the number of Shares in issue at the end of the period.

**9 Status of this report**

These financial statements are not the Company's statutory accounts. They are unaudited. The interim report will be sent to shareholders and copies will be made available to the public at the registered office of the Company and at the address of the UK Administration Agent.

The interim report was approved by the Board of directors on 1 August 2007.

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# Directors and advisers

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**Directors**

AJ Fleming (Chairman)  
DS Copperwaite  
HF Green  
TJ Henderson  
DL Kempton

**Broker**

Marshall Securities Limited  
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**Secretary & Administrator**

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