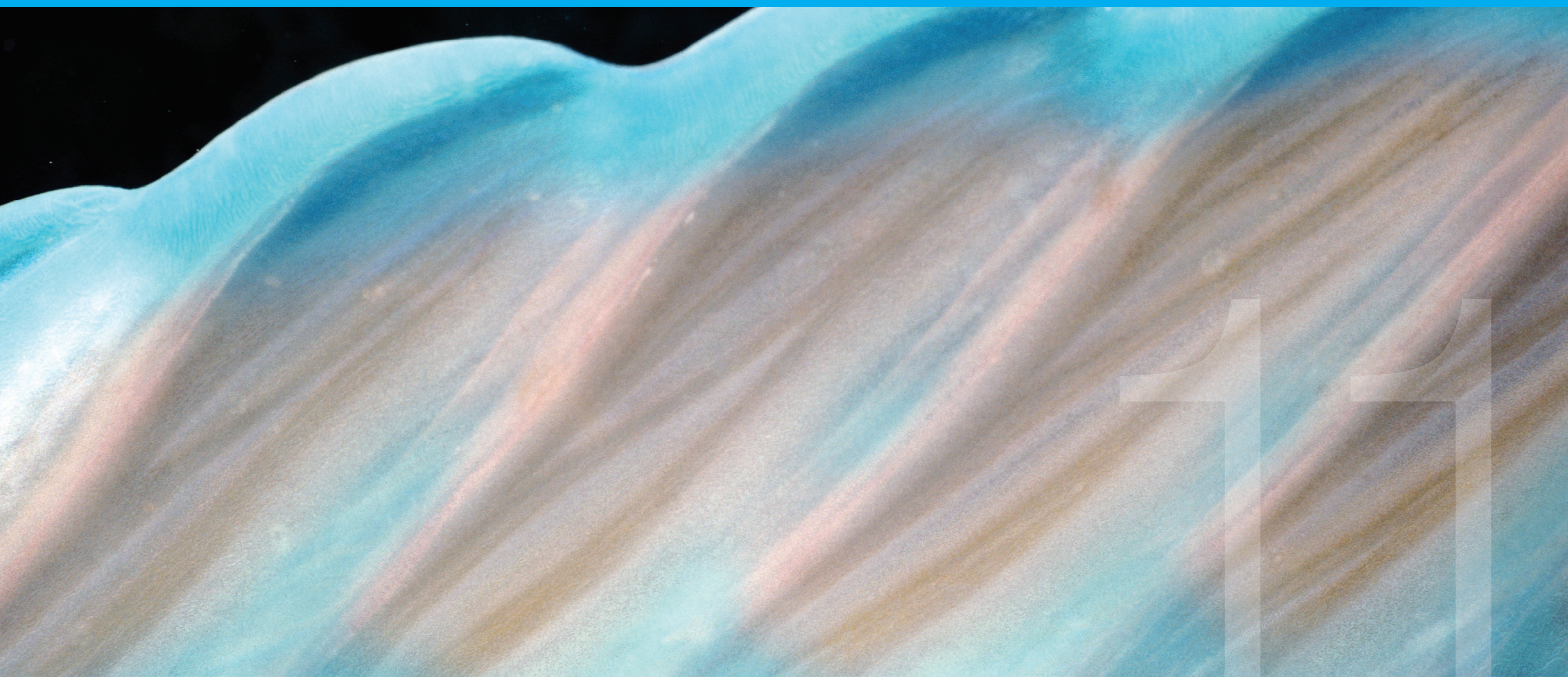
Annual Report and Financial Statements for the year ended 31 December 2011



Albion Development VCT PLC

Albion Ventures

Contents

Company information

Company Number	3654040
Directors	G O Vero FCA, Chairman A Phillipps PhD MBA D C Pinckney MA FCA J G T Thornton MA MBA FCA
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	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RN
Legal adviser	Berwin Leighton Paisner Adelaide House London Bridge London, EC4R 9HA

Albion Development 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 5853 (UK national rate call, lines are open 8.30am – 5.30pm, Mon – Fri) Website: www.computershare.co.uk Contact information and frequently asked questions: www-uk.computershare.com/Investor/contactus Shareholders can access holdings and valuation information regarding any of their shares held by Computershare by registering on Computershare's website.
IFA information	For enquiries relating to the performance of the Fund and for IFA information please contact Albion Ventures LLP: Tel: 0207 601 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 **The above contacts are unable to provide financial or taxation advice.**

Investment objectives

Albion Development VCT PLC (the "Company") is a venture capital trust which raised a total of £33.3 million through an issue of shares between 1999 and 2004. The C shares merged with the Ordinary shares in 2007.

A further £6.3 million was raised through an issue of new D shares in 2009/2010 and £3.2 million was raised for the Ordinary shares through the Albion VCTs Linked Top Up Offers in 2011 and 2012. The funds raised will be invested in accordance with the Company's existing investment policy.

The Company's investment policy is intended to provide investors with a regular and predictable source of dividend income combined with the prospects of long term capital growth. This is achieved by establishing a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risks normally associated with investment in such companies. It is intended that this will be achieved as follows:

- Through investment in a number of higher risk companies with greater growth prospects in sectors such as software and computer services, and medical technology.
- This is balanced by investment in lower risk, often asset-backed investments that provide a strong income stream combined with a protection of capital. These include freehold-based businesses in the leisure sector, such as pubs and health clubs, as well as stable and profitable businesses in other sectors including business services and healthcare. Such investments will constitute the majority of investments by cost.
- In neither category do investee companies normally have any external borrowings with a prior charge ranking ahead of the VCT.
- Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the investee company's assets.

Financial calendar

Record date for first dividend	4 May 2012
Payment of first dividend	31 May 2012
Annual General Meeting	11.30am 15 June 2012
Announcement of half-yearly results for the six months ending 30 June 2012	August 2012
Payment of second dividend subject to Board approval	30 September 2012

Financial highlights

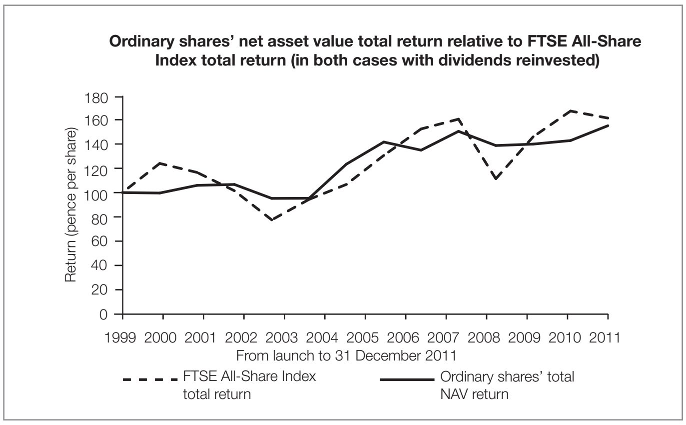
Ordinary shares

138.3p Net asset value plus dividends per Ordinary share since launch to 31 December 2011

5.0p Tax free dividend per Ordinary share paid in the year to 31 December 2011

2.5p First tax free dividend per Ordinary share declared for the year to 31 December 2012

75.5p Net asset value per Ordinary share as at 31 December 2011



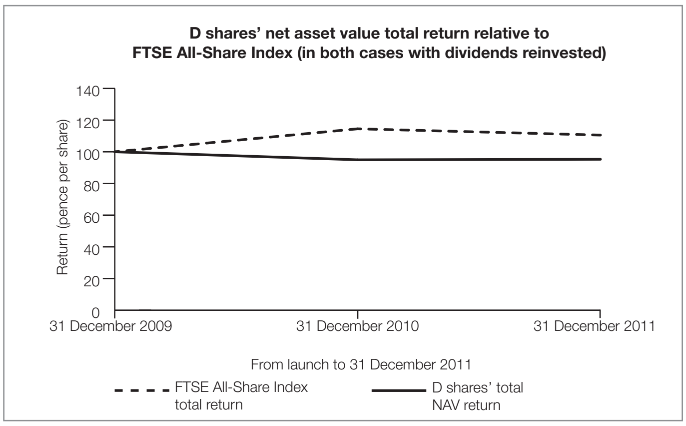
D shares

96.5p Net asset value plus dividends per D share since launch to 31 December 2011

2.5p Tax free dividend per D share paid in the year to 31 December 2011

1.75p First tax free dividend per D share declared for the year to 31 December 2012

93.0p Net asset value per D share as at 31 December 2011



Source: Albion Ventures LLP

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

Financial highlights (continued)

	Ordinary shares		D shares	
	31 December 2011 pence per share	**31 December 2010 pence per share**	**31 December 2011 pence per share**	**31 December 2010 pence per share**
Dividends paid	**5.00**	8.00	**2.50**	1.00
Revenue return	**1.40**	1.50	**1.60**	0.30
Capital gain/(loss)	**3.30**	2.40	**0.90**	(0.90)
Net asset value	**75.50**	75.40	**93.00**	93.00

Total shareholder net asset value return to 31 December 2011:			
	Ordinary shares 31 December 2011 pence per share(ii)	**C shares 31 December 2011 pence per share(ii)**	**D shares 31 December 2011 pence per share(ii)**
Total dividends paid during the year ended:			
31 December 1999(i)	**1.00**	**–**	**–**
31 December 2000	**2.90**	**–**	**–**
31 December 2001	**3.95**	**–**	**–**
31 December 2002	**4.20**	**–**	**–**
31 December 2003(iii)	**4.50**	**0.75**	**–**
31 December 2004	**4.00**	**2.00**	**–**
31 December 2005	**5.20**	**5.90**	**–**
31 December 2006	**3.00**	**4.50**	**–**
31 December 2007(iv)	**5.00**	**5.36**	**–**
31 December 2008	**12.00**	**12.86**	**–**
31 December 2009	**4.00**	**4.29**	**–**
31 December 2010	**8.00**	**8.58**	**1.00**
31 December 2011	**5.00**	**5.36**	**2.50**
Total dividends paid to 31 December 2011	**62.75**	**49.60**	**3.50**
Net asset value as at 31 December 2011	**75.50**	**80.90**	**93.00**
Total shareholder return to 31 December 2011	**138.25**	**130.50**	**96.50**

In addition to the dividends paid above, the Board has declared a first dividend for the year ending 31 December 2012, of 2.50 pence per Ordinary share and 1.75 pence per D share payable on 31 May 2012 to shareholders on the register at 4 May 2012.

Notes

(i) Assuming subscription for Ordinary shares by the First Closing on 26 January 1999.

(ii) Excludes tax benefits upon subscription.

(iii) Those subscribing for C shares after 30 June 2003 were not entitled to the interim dividend.

(iv) The C shares were converted into Ordinary shares on 31 March 2007, with a conversion of 1.0715 Ordinary shares for each C share. The net asset value per share and all dividends paid subsequent to the conversion of the C shares to the Ordinary shares are multiplied by the conversion factor of 1.0715 in respect of the C shares return, in order to give an accurate picture of the shareholder value since launch relating to the C shares.

Chairman's statement

Introduction
The results for Albion Development VCT PLC for the year to 31 December 2011 show a further recovery, building on the positive results for 2010. The Ordinary share portfolio showed a return of 4.7 pence per share while the D shares, whose investment portfolio is still being built up, showed a return of 2.5 pence per share.

Investment performance and progress
The Ordinary shares benefitted both from the sale of our investment in Dexela, which realised a return of between two and three times cost (dependent on an earn-out) and from the successful sale of the investment in Evolutions Television, which realised a total income and capital return of approximately 1.1 times cost and at a level considerably higher than its previous holding value. In addition, there were further improved performances from our portfolio of cinemas, Radnor House School and from Peakdale Molecular. Against this was a reduction in the value of Helveta, Xceleron and Mi-Pay, each of which required further finance to support slower than anticipated growth.

During the year, some £2.7 million was invested or committed for investment by the Ordinary share portfolio and £2.0 million by the D share portfolio. New investments included a number of projects in the renewable energy sector, as well as participation in the MBO of Hilson Moran, an international firm of mechanical and engineering consultants.

Risks and uncertainties
The outlook for the UK and Global economies continues to be the key risk affecting your Company, including the effects of the currency and debt constraints which are increasingly becoming apparent. Importantly, however, investment risk is mitigated through a variety of processes, including our policy of ensuring that the Company has a first charge over investee companies' assets wherever possible. Meanwhile, opportunities within our target sectors continue to arise at attractive valuations, including in the healthcare and environmental sectors, which continue to be two core areas of activity.

A detailed analysis of the other risks and uncertainties facing the business is shown on pages 20 to 22.

Change of registrar and electronic communications
As part of our commitment to improve our investor experience, our share registrars have changed to Computershare Investor Services PLC. The Computershare Investor Centre can be found at www.investorcentre.co.uk. Further contact details are show in the front of these accounts.

Some shareholders have asked for the option to receive Company communications electronically and with this in mind, we have proposed a resolution at the Annual General Meeting to facilitate this. However, it should be noted that this resolution is 'opt in' for shareholders and if shareholders take no action, they will continue to receive hard copies. Albion Ventures LLP is working with Computershare to further improve shareholder communications, including annual shareholder statements which are due to be sent out in May 2012.

Reduction of share capital and cancellation of capital reserves
The Board proposes to increase the Company's distributable reserves by way of a reduction of the Company's share capital and cancellation of its capital redemption reserve and share premium account subject to shareholder approval, and confirmation by the Court.

It is the Board's policy to pay regular and predictable dividends to shareholders as the Directors believe that this is a key source of shareholder value. The Company also has a policy of buying back its own shares for cancellation or for holding as treasury shares, when such purposes are considered to be to the advantage of the Company and shareholders as a whole. These shares are purchased at a discount to net asset value which enhances the Company's net asset value per share.

Under the Companies Act, the Company is only permitted to pay dividends and to make buy-backs from its accumulated distributable reserves. Therefore, the Board believes that increasing the distributable reserves, through the reduction in nominal value of shares from 50 pence to 1 penny, and the cancellation of the share premium account and capital redemption reserve is in the interests of shareholders. The proposed reduction of the nominal value of shares and the cancellation of the share premium account and capital redemption reserves in respect of the Ordinary shares and the D shares constitutes a variation of the rights attaching to the Ordinary shares and the D shares. In addition to the resolution to be proposed at the Annual General Meeting, separate meetings of the Ordinary shareholders and the D shareholders will be necessary for the approval of the variation of the rights attaching to the Ordinary shares and the D shares. Notice of the General Meeting of the Ordinary shareholders is on page 67 and notice of the General Meeting of the D shareholders is on page 70.

Chairman's statement (continued)

Assuming that the relevant special resolutions are passed, it will be necessary for the proposed reductions and cancellations to be approved by the Court and the proposals will only take effect once the Court order approving them has been filed with the Registrar of Companies (together with a relevant statement of capital). Prior to approving the proposed reductions and cancellations, the Court will need to be satisfied that the interests of the creditors of the Company are not prejudiced thereby. The Company will put into place such form of creditor protection as it considers necessary to satisfy the Court in this regard.

Discount management and share buy-backs

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interests, including the maintenance of sufficient resources for investment in new and existing investee 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 10 to 15 per cent. discount to net asset value, so far as market conditions and liquidity permit. During the year, the Company purchased 723,700 Ordinary shares to be held in treasury at a cost of £462,000, cancelled 500,000 Ordinary shares from treasury and purchased 482,372 Ordinary shares for cancellation at a cost of £306,000. These buy-backs have enhanced the net asset value per Ordinary share by 0.4 pence.

Related party transactions

Details of material related party transactions for the year can be found in note 22.

Results and dividends

As at 31 December 2011, the net asset value of the Ordinary shares was 75.5 pence per share (2010: 75.4 pence per share). The revenue return before taxation for the Ordinary shares was £539,000 compared to £525,000 for the previous year. The net asset value per D share was 93.0 pence per share (2010: 93.0 pence per share). The D shares' revenue return before taxation was £130,000 compared to £18,000 in the previous year. The Company will pay a first dividend for the financial year to 31 December 2012 of 2.5 pence per Ordinary share and 1.75 pence per D share. Dividends will be paid on 31 May 2012 to shareholders on the register on 4 May 2012.

Albion VCTs Linked Top Up Offers

During the year the Company issued 2,207,694 Ordinary shares under the Albion VCTs Linked Top Up Offer launched in November 2010. Details are shown in note 15.

On 1 November 2011 the Company announced the launch of the Albion VCTs Linked Top Up Offer 2011/2012. In aggregate, the Albion VCTs will be aiming to raise approximately £15 million across seven of the VCTs managed by Albion Ventures LLP, of which Albion Development VCT PLC's share would be £2.25 million. This builds on the success of the Albion VCTs Linked Top Up Offer 2010/2011, which raised £11.8 million, of which Albion Development VCT's share was £1.7 million.

Since the year end, 1,922,987 Ordinary shares have been issued under this Offer, generating net proceeds of £1.4 million. The proceeds of the Offer will be used to provide further resources to the Albion VCTs at a time when a number of attractive new investment opportunities are being seen. Details of these allotments are shown in note 21. An Investor Guide and Offer document as sent to shareholders can be obtained from www.albion-ventures.co.uk.

Outlook and prospects

The outlook for the UK and Global economies remains uncertain. We have been rebalancing our investment portfolio to provide more emphasis on areas that we see as being more resilient, such as renewable energy. A significant number of our companies have special assets or business capabilities, and we believe that, over the longer term, they will provide strong returns for shareholders.

Geoffrey Vero
Chairman
11 April 2012

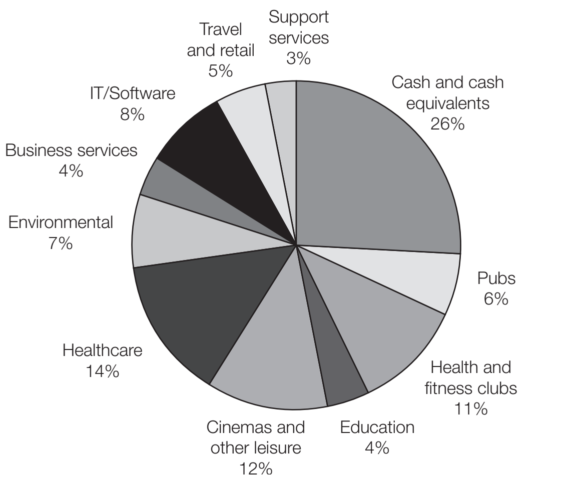
Manager's report

The overall carrying value of the combined Ordinary and D Shares portfolio has increased from £19.6 million to £21.1 million over the year. The net increase of £1.5 million is comprised of additions of £8.5 million, disposal proceeds of £8.2 million (giving rise to a realised gain of £1.3 million). There is a further adjustment of £94k in respect of loan stock measured at amortised cost.

The sector analysis of Albion Development VCT PLC's investment portfolio as at 31 December 2011 is shown below. By valuation, the asset-backed element of the portfolio now accounts for 44 per cent. of the Ordinary shares' portfolio and 53 per cent. of the D shares' portfolio, while growth investments account for 30 per cent. of the Ordinary shares and 14 per cent. of the D shares, with cash and liquid resources providing the balance.

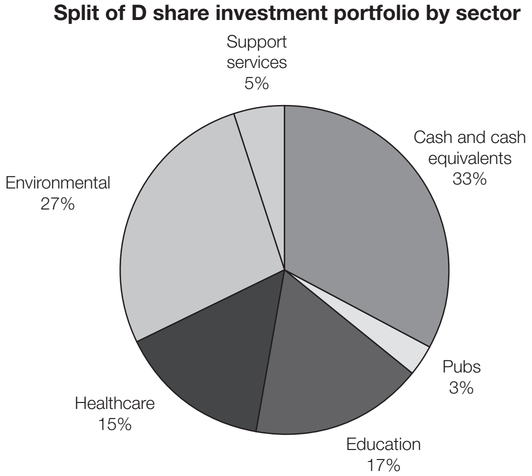
In the Ordinary share portfolio, the healthcare element now accounts for 14 per cent (2010: 17 per cent., including Dexela, most of which had been sold during 2011), while the environmental and renewable portion is now 7 per cent., up from 3 per cent. For the D shares, the proportions are 15 per cent. and 27 per cent. respectively.

Split of Ordinary share investment portfolio by sector



Source: Albion Ventures LLP

Split of D share investment portfolio by sector



Source: Albion Ventures LLP

Portfolio review

In the growth portfolio, Blackbay, Mirada Medical and Rostima all showed the potential for further growth and uplifts in value and Chichester Holdings has seen a sharp increase in profitability, leading it to begin paying interest once more.

The key reductions in value in our investments were those in Xceleron, Helveta and Mi-Pay. These all operate in young, potentially high-growth, global markets and all required further financing during the year, since those markets have been taking longer to develop than anticipated. Provisions were also made against Dysis, Prime Care and Masters Pharmaceuticals.

In our asset-backed portfolio, cinemas continue to perform particularly well, while profitability continues to climb at our health and fitness clubs and our pubs. Meanwhile, Radnor House School now has twice its budgeted pupils and saw a sharp increase in value following its recent third party professional valuation.

Realisations

Your Company has been going through an extensive programme of realisations. In 2010, these amounted to £3.6 million, while in 2011, the sale of Evolutions, and the initial proceeds on Dexela amounted to £7.1 million. Together, these two disposals resulted in gains of £1.5 million above the holding levels as at 31 December 2010, and net returns since investment of £455,000.

New investments

During the year, £1.1 million was invested in renewable energy projects by the Ordinary shares and £1.1 million by the D shares. The Ordinary shares invested £600,000 and the D shares £320,000 in the MBO of Hilson Moran; and they both invested a small amount in Abcodia, a life sciences spin-out from University College London. The balances of investments were to fund growth in existing portfolio companies.

Albion Ventures LLP
Manager
11 April 2012

The Board of Directors

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

Geoffrey Vero (Chairman), FCA (appointed 2 July 2007), has spent much of his career in venture capital, serving as a director of Causeway Capital Limited and ABN Amro Private Equity (UK) Limited which invested in small and medium sized unquoted businesses. He is a non-executive director of Numis Corporation Plc, and non-executive Chairman of EPE Special Opportunities Plc.

David Pinckney (Chairman of the Audit Committee), FCA, MA (appointed 8 December 1998), was with Peat Marwick Mitchell & Co. (now KPMG) in London from 1963 to 1968, and from 1969 to 1983 in France. He became a partner in 1975 and senior audit partner in 1978. He was then managing director of Wrightson Wood Financial Services Limited, where his work involved the provision of advice to companies seeking venture capital. In 1987 he joined Thornton Management Limited, an international equity fund management group with a proportion of funds invested in smaller unquoted companies, first as group finance director and subsequently as joint managing director. From 1998 he was chief operating officer – Far East, and then vice chairman of AXA Investment Managers, the investment management arm of the AXA Group until he retired in December 2003. He is chairman of Ventus VCT PLC.

Jonathan Thornton, MA, MBA, FCA (appointed 8 December 1998), has extensive experience in the management of unquoted investments. He was a director of Close Brothers Group plc from 1984 to 1998 and was responsible for establishing Close Brothers Private Equity LLP, the private equity fund management arm of Close Brothers Group plc. Prior to this he worked for 3i plc and Cinven. Over the past 25 years he has been a non-executive director of a number of smaller unquoted companies which have raised institutional capital and he is a member of the Albion Ventures LLP Investment Committee.

Andrew Phillipps, PhD, MBA (appointed 30 October 2007). Andy co-founded Active Hotels, an online hotels reservation business in 1999. As chief executive, he grew the business to become a European market leader, before selling it to Priceline Inc. for $161 million in 2004. He was retained to run Priceline's international operations until 2006. He subsequently bought into, and was chairman of the online restaurant booking company, Toptable, which was successfully sold to Opentable in Q4 2010 for $55 million. He is currently an investor and director of a number of private companies, including i2o Water and Reevoo.com. He also lectures in entrepreneurship at INSEAD and London Business School.

All Directors are members of the Audit and the Nomination Committees.

The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Services Authority and is the Manager of Albion Development VCT PLC. In addition to Albion Development VCT PLC, it manages a further seven venture capital trusts, and has currently total funds under management of approximately £230 million. Albion was awarded "VCT Manager of the Year" at the "Unquote" British Private Equity Awards 2009 and "VCT of the Year" for Albion Development VCT PLC at the 2009 Investor AllStar Awards and Investor of the Year at the Independent Healthcare Awards 2011.

The following are specifically responsible for the management and administration of the VCTs managed by Albion Ventures LLP, including Albion Development VCT PLC.

Patrick Reeve, MA, ACA, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Ventures Limited (now Albion Ventures LLP) with the launch of Albion Venture Capital Trust PLC in the spring of 1996. Patrick became managing partner of Albion Ventures LLP in 2009. He read modern languages at Oxford University. He is a director of Albion Technology & General VCT PLC, Albion Income & Growth VCT PLC, Albion Prime VCT PLC, Albion Enterprise VCT PLC and Healthcare and Leisure Property Limited, all managed or advised by Albion Ventures LLP.

Will Fraser-Allen, BA (Hons), ACA, 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 LLP 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.

Isabel Dolan, BSc (Hons), ACA, MBA, qualified as a chartered accountant with Moore Stephens. From 1993 to 1997 she was head of recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997 to 2001 she was at 3i plc, latterly as a portfolio director. She joined Albion Ventures LLP in 2005, having previously been finance director for a number of unquoted companies. Isabel became operations partner at Albion Ventures LLP in 2009. She has a BSc in Biochemistry with Pharmacology from Southampton University and an MBA from London Business School.

Dr Andrew Elder, MA, FRCS, joined Albion Ventures LLP in 2005 and became a partner in 2009. He initially practiced 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 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), ACA, 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 LLP 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 LLP in 2009.

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

Michael Kaplan, BA, MBA. Prior to joining Albion Ventures LLP in 2007, Michael was a project leader with the Boston Consulting Group (BCG) where he focused on the retail and financial services sectors. More recently, Michael was part of BCG's growing Private Equity practice – which provides strategic due diligence to some of the world's biggest PE funds. Prior to his time with BCG, Michael was the chief financial officer for Widevine Technologies, a security software company based in Seattle. Michael has a BA from the University of Washington and an MBA from INSEAD. He became a partner in Albion Ventures LLP in 2010.

Ed Lascelles, BA (Hons), joined Albion Ventures LLP in 2004. Ed 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 LLP in 2004, Ed started investing in the technology, healthcare, financial and business services sectors. Ed became partner in 2009 and is responsible for a number of Albion's technology investments. Ed graduated from University College London with a first class degree in Philosophy.

Dr Christoph Ruedig, MA, MBA, joined Albion Ventures LLP as an investment manager in October 2011 and primarily focuses on Albion's healthcare investments, alongside Andrew Elder. He initially practiced 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. Most recently he has worked for General Electric UK, where he was responsible for mergers and acquisitions in the medical technology and healthcare IT sectors. 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 LLP in 1998. Henry became a partner in Albion Ventures LLP in 2009. He holds an MA degree in Classics from Oxford University.

Robert Whitby-Smith, BA (Hons), MSI, ACA. After graduating in History at Reading University, Robert qualified as a chartered accountant with KPMG and subsequently worked in corporate finance at Credit Suisse First Boston and ING Barings. Since joining in 2005, Robert has assisted in the workout of three VCT portfolios (Murray VCT PLC, Murray VCT 2 PLC and Murray VCT 3 PLC now renamed Crown Place VCT PLC) formerly managed by Aberdeen Murray Johnstone, and is responsible for investments in the leisure, manufacturing and technology sectors. Robert became a partner in Albion Ventures LLP in 2009.

Marco Yu, MPhil, MA, MRICS, spent two and a half years at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. He joined Albion Ventures LLP in 2007 and became an investment manager in Albion Ventures LLP in 2009. Marco graduated from Cambridge University with a first class degree in economics and is a Chartered Surveyor.

Portfolio of investments

Ordinary shares

The following is a summary of the qualifying fixed asset investments as at 31 December 2011:

			As at 31 December 2011			As at 31 December 2010			
Investee company	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	Change in value for the year** £'000
Asset-backed investments									
The Weybridge Club Limited	9.4	50.0	**1,520**	**(252)**	**1,268**	1,520	(189)	1,331	**(63)**
CS (Greenwich) Limited	15.5	50.0	**807**	**210**	**1,017**	876	(9)	867	**219**
Radnor House School (Holdings) Limited	4.2	50.0	**734**	**205**	**939**	720	14	734	**191**
Kensington Health Clubs Limited	4.5	50.0	**1,124**	**(353)**	**771**	1,124	(349)	775	**(4)**
CS (Brixton) Limited	8.4	50.0	**356**	**263**	**619**	356	104	460	**159**
Taunton Hospital Limited	9.1	50.0	**576**	**2**	**578**	576	6	582	**(4)**
Tower Bridge Health Clubs Limited	7.9	50.0	**462**	**95**	**557**	494	29	523	**66**
Bravo Inns II Limited	4.5	50.0	**560**	**(24)**	**536**	560	(26)	534	**2**
The Q Garden Company Limited	16.6	50.0	**1,198**	**(707)**	**491**	1,198	(701)	497	**(6)**
The Charnwood Pub Company Limited	3.3	50.0	**1,156**	**(667)**	**489**	1,156	(695)	461	**28**
Regenerco Renewable Energy Limited	3.0	50.0	**417**	**2**	**419**	–	–	–	**2**
The Street by Street Solar Programme Limited	6.0	50.0	**362**	**4**	**366**	28	–	28	**4**
TEG Biogas (Perth) Limited	3.0	50.0	**182**	**5**	**187**	55	–	55	**5**
Alto Prodotto Wind Limited	3.6	50.0	**157**	**2**	**159**	–	–	–	**2**
Bravo Inns Limited	2.6	50.0	**230**	**(88)**	**142**	230	(104)	126	**16**
Nelson House Hospital Limited	3.0	50.0	**136**	**1**	**137**	–	–	–	**1**
CS (Exeter) Limited	8.3	50.0	**135**	**(22)**	**113**	135	(37)	98	**15**
Premier Leisure (Suffolk) Limited	6.5	50.0	**480**	**(370)**	**110**	480	(359)	121	**(11)**
Evolutions Television Limited	n/a***	n/a***	**93**	**–**	**93**	–	–	–	**–**
GB Pub Company VCT Limited	9.1	50.0	**369**	**(288)**	**81**	366	(225)	141	**(63)**
The Dunedin Pub Company VCT Limited	6.2	50.0	**67**	**(2)**	**65**	71	–	71	**(2)**
CS (Norwich) Limited	3.1	50.0	**50**	**12**	**62**	50	(5)	45	**17**
CS (Liverpool) Limited	4.5	50.0	**56**	**(11)**	**45**	56	(12)	44	**1**
AVESI Limited	3.5	50.0	**28**	**–**	**28**	–	–	–	**–**
Total asset-backed investments			**11,255**	**(1,983)**	**9,272**	10,051	(2,558)	7,493	**575**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

*** loan stock investment only

Portfolio of investments (continued)

Ordinary shares (continued)

			As at 31 December 2011			As at 31 December 2010			
Investee company	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	Change in value for the year** £'000
Growth investments									
Blackbay Limited	7.4	34.9	**819**	**244**	**1,063**	764	447	1,211	**(79)**
Peakdale Molecular Limited	8.9	14.9	**936**	**7**	**943**	1,047	(161)	886	**168**
Hilson Moran Holdings Limited	7.5	50.0	**600**	**1**	**601**	–	–	–	**1**
Lowcosttravelgroup Limited	4.0	26.0	**435**	**160**	**595**	435	154	589	**6**
Prime Care Holdings Limited	9.4	49.9	**559**	**(76)**	**483**	516	49	565	**(125)**
Consolidated PR Limited	11.8	23.6	**570**	**(110)**	**460**	558	(135)	423	**25**
Mirada Medical Limited	8.0	50.0	**240**	**215**	**455**	240	144	384	**71**
Mi–Pay Limited	5.0	49.9	**622**	**(200)**	**422**	459	(23)	436	**(177)**
Helveta Limited	2.6	20.8	**645**	**(261)**	**384**	364	–	364	**(261)**
DySIS Medical Limited	2.7	19.0	**423**	**(190)**	**233**	350	(40)	310	**(150)**
Rostima Holdings Limited	4.8	39.3	**94**	**120**	**214**	94	–	94	**120**
Opta Sports Data Limited	1.3	14.2	**165**	**3**	**168**	140	(25)	115	**28**
Masters Pharmaceuticals Limited	1.0	16.9	**202**	**(42)**	**160**	160	2	162	**(44)**
Chichester Holdings Limited	10.6	50.0	**700**	**(564)**	**136**	700	(589)	111	**25**
Process Systems Enterprise Limited	1.0	15.9	**95**	**32**	**127**	95	(18)	77	**50**
memsstar Limited	1.8	28.1	**124**	**–**	**124**	124	–	124	**–**
Oxsensis Limited	1.4	20.6	**192**	**(83)**	**109**	192	(83)	109	**–**
Xceleron Limited	3.8	45.1	**96**	**–**	**96**	414	(136)	278	**–**
Abcodia Limited	1.7	21.4	**60**	**–**	**60**	–	–	–	**–**
Total growth investments			**7,577**	**(744)**	**6,833**	6,652	(414)	6,238	**(342)**
Total qualifying investments			**18,832**	**(2,727)**	**16,105**	16,703	(2,972)	13,731	**233**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

Portfolio of investments (continued)

Ordinary shares (continued)

The following is a summary of non-qualifying fixed asset investments as at 31 December 2011:

			As at 31 December 2011			As at 31 December 2010			
Investee company	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	Change in value for the year** £'000
Non-qualifying investments									
Albion Investment Properties Limited	48.4	100.0	**929**	**(97)**	**832**	928	(134)	794	**37**
Evolutions Group Limited	46.7	100.0	**581**	**(446)**	**135**	–	–	–	**(446)**
Consolidated PR Limited	n/a***	n/a***	**33**	**18**	**51**	34	13	47	**5**
Rostima Holdings Limited	n/a***	n/a***	**24**	**–**	**24**	–	–	–	**–**
Total non-qualifying investments			**1,567**	**(525)**	**1,042**	962	(121)	841	**(404)**
Total fixed asset investments			**20,399**	**(3,252)**	**17,147**	17,665	(3,093)	14,572	**(171)**

	As at 31 December 2011			As at 31 December 2010			
Investee company	Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	Change in value for the year*** £'000
Current asset investments							
Contingent future receipts on disposal of fixed asset investments	**137**	**–**	**137**	–	–	–	**137**
Total current asset investments	**137**	**–**	**137**	–	–	–	**137**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

*** loan stock investment only

Realisations in the year to 31 December 2011	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Dexela Limited	415	423	852	437	429
Evolutions Television Limited	4,326	2,603	3,659	(667)	1,056
Evolutions Group Limited	2,526	n/a	2,593	67	n/a
Xceleron Limited (restructuring)	343	207	–	(343)	(207)
Other	1,121	1,065	1,101	(20)	36
Total	**8,731**	**4,298**	**8,205**	**(526)**	**1,314**

Portfolio of investments (continued)

D shares

The following is a summary of the qualifying fixed asset investments as at 31 December 2011:

			As at 31 December 2011			As at 31 December 2010			
Investee company	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	Change in value for the year** £'000
Asset-backed investments									
Radnor House School (Holdings) Limited	4.6	50.0	**800**	**235**	**1,035**	800	15	816	**220**
Regenerco Renewable Energy Limited			**528**	**4**	**532**	–	–	–	**4**
TEG Biogas (Perth) Limited	7.1	50.0	**428**	**12**	**440**	328	–	328	**12**
Nelson House Hospital Limited	8.6	50.0	**392**	**–**	**392**	–	–	–	**–**
The Street by Street Solar Programme Limited	6.3	50.0	**380**	**11**	**391**	76	–	76	**11**
Bravo Inns II Limited	1.5	50.0	**160**	**5**	**165**	160	–	160	**5**
Alto Prodotto Wind Limited	3.2	50.0	**137**	**2**	**139**	–	–	–	**2**
AVESI Limited	9.5	50.0	**76**	**–**	**76**	–	–	–	**–**
Total asset-backed investments			**2,901**	**269**	**3,170**	1,365	15	1,380	**254**
Growth investments									
Masters Pharmaceuticals Limited	2.5	16.9	**506**	**(106)**	**400**	400	6	406	**(112)**
Hilson Moran Holdings Limited	4.0	50.0	**320**	**1**	**321**	–	–	–	**1**
Abcodia Limited	2.1	21.4	**75**	**–**	**75**	–	–	–	**–**
Total growth investments			**901**	**(105)**	**796**	400	6	406	**(111)**
Total qualifying investments			**3,802**	**164**	**3,966**	1,765	21	1,786	**143**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

Portfolio companies

The top ten qualifying investments held by the Company, by total aggregate value of equity and loan stock are as shown below.

For the purpose of the valuation process, the latest company financial information is used. The accounting information disclosed below is the latest as filed at Companies House.

Radnor House School (Holdings) Limited

Radnor House is a new co-educational independent day school in Twickenham, which opened in September 2011. It is located in freehold historic buildings on the banks of the River Thames in South West London.

	Audited results year to 31 August 2011 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	29	Income recognised in the year	17	19
Loss before interest	(1,426)	Total cost	734	800
Net liabilities	638	Total valuation	939	1,035
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	4.2 per cent.	4.6 per cent.

Website: www.radnorhouse.org

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

The Weybridge Club Limited

The company owns a 30 acre freehold site near to the centre of Weybridge in Surrey, which has been developed into a premium health and fitness club. The club opened in May 2007 and membership is currently building up well.

	Audited results 13 months to 30 September 2011 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	1,969	Income recognised in the year	57	–
Profit before interest	544	Total cost	1,520	–
Net liabilities	(2,205)	Total valuation	1,268	–
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	9.4 per cent.	–

Website: www.theweybridgeclub.com

Other funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Blackbay Limited

The company provides enterprise mobility solutions mainly for the postal logistics and field service sectors.

	Audited results year to 31 December 2010 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	7,752	Income recognised in the year	97	–
Profit before interest	706	Total cost	819	–
Net liabilities	(1,470)	Total valuation	1,063	–
Basis of valuation:	Earnings multiple	Voting rights	7.4 per cent.	–

Website: www.blackbay.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 34.9 per cent.

CS (Greenwich) Limited

This company operates the five screen Picture House leasehold cinema in Greenwich.

	Audited results year to 31 December 2010 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	2,303	Income recognised in the year	76	–
Profit before interest	534	Total cost	807	–
Net assets	1,825	Total valuation	1,017	–
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	15.5 per cent.	–

Website: www.picturehouses.co.uk

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Peakdale Molecular Limited

The company is principally involved in the research, processing and supply of chemical compounds to the major pharmaceutical companies. It operates from a substantial freehold site in Chapel-en-le-Frith, Derbyshire.

	Audited results year to 31 March 2011 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	8,700	Income recognised in the year	25	–
Profit before interest	390	Total cost	936	–
Net assets	4,994	Total valuation	943	–
Basis of valuation:	Earnings multiple	Voting rights	8.9 per cent	–

Website: www.peakdale.co.uk

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 14.9 per cent.

Portfolio companies (continued)

Hilson Moran Holdings Limited

The company is an international multi-disciplinary engineering consultancy. The investment was made in December 2011. It applies the latest design techniques, technology and innovation to its work in the design, procurement, occupation and operation of buildings.

		Investment information	Ordinary shares £'000	D shares £'000
The company was incorporated on 10 August 2011		Income recognised in the year	1	1
and has not yet filed accounts at Companies House.		Total cost	600	320
		Total valuation	601	321
Basis of valuation:	Cost	Voting rights	7.5 per cent.	4.0 per cent.

Website: www.hilsonmoran.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Kensington Health Clubs Limited

This company has developed a 29,000 square foot health and fitness club on a 999 year lease in West London which opened in December 2007.

	Audited results year to 30 September 2011 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	2,073	Income recognised in the year	55	–
Profit before interest	311	Total cost	1,124	–
Net assets	322	Total valuation	771	–
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	4.5 per cent.	–

Website: www.thirtysevendegrees.co.uk/olympia

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

CS (Brixton) Limited

This company operates the freehold Ritzy Picture House cinema in Brixton.

	Audited results year to 31 December 2010 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	3,066	Income recognised in the year	35	–
Profit before interest	447	Total cost	356	–
Net assets	2,354	Total valuation	619	–
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	8.4 per cent.	–

Website: www.picturehouses.co.uk

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Lowcosttravelgroup Limited

The company is an online travel company specialising in beach holidays and the provision of hotel transfers. The company has seen significant growth in bookings and has made a number of small acquisitions.

	Audited results year to 31 October 2010 £'000	Investment information	Ordinary shares £'000	D shares £'000
Total transaction value	177,920			
Turnover	27,054	Income recognised in the year	9	–
Profit before interest and exceptional items	1,725	Total cost	435	–
Net assets	3,838	Total valuation	595	–
Basis of valuation:	Earnings multiple	Voting rights	4.0 per cent.	–

Website: www.lowcosttravelgroup.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 26.0 per cent.

Taunton Hospital Limited

Taunton Hospital is a specialist psychiatric hospital owner and operator in southern England. The building is freehold.

	Audited results year to 30 April 2011 (abbreviated accounts) £'000	Investment information	Ordinary shares £'000	D shares £'000
		Income recognised in the year	23	–
		Total cost	576	–
Net assets	377	Total valuation	578	–
Basis of valuation:	Cost	Voting rights	9.1 per cent.	–

Website: www.orchardportman.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Net assets of a portfolio company where a recent third party valuation has taken place, may have a higher valuation in Albion Development VCT PLC accounts than in its own, where the portfolio company does not have a policy of revaluing its fixed assets.

Directors' report and enhanced business review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Development VCT PLC (the "Company") for the year ended 31 December 2011.

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. Approval for the year ended 31 December 2011 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

The Company is not a close company for taxation purposes and its shares are listed on 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 tax relief which some investors would have obtained when they invested in the original share offer.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 15.

The Company's share capital comprises Ordinary shares and D shares. As at 31 December 2011, Ordinary shares represented 82.7 per cent. of the total voting rights and D shares 17.3 per cent. of the total voting rights.

The Ordinary shares and D shares, are designed for individuals who are professionally advised private investors, seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments. The investments are spread over a number of sectors, to produce a regular and predictable source of income, combined with the prospect of longer term capital growth.

During the year the Company issued 2,207,694 Ordinary shares under the Albion VCTs Linked Top Up Offer launched in November 2010. The Offer closed on 16 May 2011.

Both Ordinary shares and D shares rank *pari passu* for voting rights, save in respect of specific resolutions impacting their class, such as in the case of a reconstruction. Each Ordinary share and D share is entitled to one vote.

Ordinary and D shareholders are entitled to receive dividends paid out of the reserves attributable to their respective class of shares. Ordinary and D shareholders are entitled to the return on capital on winding up or other return on capital based on the surpluses attributable to their respective class of shares.

The Articles of the Company provide for the conversion of D shares into Ordinary shares in a ratio determined by the net asset values of each class.

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on www.albion-ventures.co.uk/Our Funds/Albion Development VCT PLC/Investor Centre under the Dividend Reinvestment Scheme section. During the year, the Company issued 158,474 new Ordinary shares and 17,497 D shares under the Dividend Reinvestment Scheme. Further details are shown in note 15.

On 1 November 2011 the Company announced the launch of the Albion VCTs Linked Top Up Offer 2011/2012. In aggregate, the Albion VCTs will be aiming to raise up to £15 million across seven of the VCTs managed by Albion Ventures LLP, of which Albion Development VCT PLC Ordinary shares proportion will be approximately £2.25 million. The maximum amount raised by each of the Albion VCTs will be 10 per cent. of its issued share capital (over any one 12 month period, and including any shares issued under Dividend Reinvestment Schemes), being the amount that they may issue under the Prospectus Rules without the publication of a full prospectus.

The proceeds of the Offer will be used to provide further resources to the Albion VCTs at a time when a number of attractive new investment opportunities are being seen. An Investor Guide and Offer document have been sent to shareholders.

Substantial interests and shareholder profile

As at 31 December 2011 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the aggregate voting rights of the Company. There have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 December 2011, and to the date of this report.

Directors' report and enhanced business review (continued)

The shareholder profile of the Company (excluding treasury shares), as at 31 December 2011 is as follows:

Ordinary shares

Number of shares held	**% shareholders**	**% share capital**
1 – 10,000	56.7	16.1
10,001 – 50,000	36.7	47.0
50,001 – 100,000	4.6	18.9
100,001 – 500,000	2.0	18.0

D shares

Number of shares held	**% shareholders**	**% share capital**
1 – 10,000	37.8	11.1
10,001 – 50,000	52.9	52.5
50,001 – 100,000	6.9	20.2
100,001 – 500,000	2.4	16.2

Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of lower risk, asset-backed investments that provide a strong income stream, combined with investment in a smaller number of higher risk companies with greater growth prospects. In neither category would investee 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.

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.

Venture Capital Trust status

In addition to the investment policy described above, the HMRC rules drive the Company's investment allocation and risk diversification policies. In order to maintain status under Venture Capital Trust legislation, the following tests must be met:

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

(2) At least 70 per cent. of the 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 value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares';

(4) At no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by 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) Eligible shares must comprise at least 10 per cent. by value of the total of the shares and securities that the Company holds in any one portfolio company; and

(7) The Company's shares, throughout the year must have been listed in the Official List of the Stock Exchange.

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 2011. The Company has complied with all tests and continues to do so.

'Qualifying Holdings' for Albion Development VCT PLC 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. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture, and operating or managing hotels or residential care homes. The Company may not control a portfolio company.

For the Ordinary share portfolio, the gross assets of a portfolio company must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter and there is an annual investment limit of £1 million in each company.

For the D share Portfolio, the following additional restrictions on investment will apply;

- a portfolio company's gross assets must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter;

- new portfolio companies may only raise a maximum of £2 million in any 12 month period from funds sourced from VCTs, Enterprise Investment Schemes or Corporate Venturing Schemes which raised funds subsequent to 5 April 2007; and

- portfolio companies must have fewer than the equivalent of 50 full-time employees at the time of investment.

Those investments which are permitted for both classes of share will be allocated between them in the ratio of funds available for investment.

Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 December 2011, the Company's maximum permitted exposure was £2,881,000 (2010: £2,791,000) and its actual short term and long term borrowing at this date was £nil (2010: £nil). The Directors do not currently have any intention to utilise long term gearing.

Current portfolio sector allocation

The pie chart on page 8 of the Manager's report shows the split of the portfolio valuation by industrial or commercial sector as at 31 December 2011. Details of the principal investments made by the Company are shown in the Portfolio of investments section on page 11.

Review of business and future changes

A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 6 and Manager's report on page 8. Details of significant events which have occurred since the end of the financial year are listed in note 21. Details of related party transactions are shown in note 22.

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

Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Services Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 23.

Results and dividends

	Ordinary shares £'000	D shares £'000	Combined £'000
Net revenue return for the year ended 31 December 2011	419	98	517
Revenue dividend paid on 31 May 2011	(776)	(79)	(855)
Revenue dividend paid on 30 September 2011	(771)	(79)	(850)
Transfer from special reserve for the year ended 31 December 2011	1,547	158	1,705
Transferred to revenue reserve	419	98	517
Net capital return for the year ended 31 December 2011	1,004	59	1,063
Transfer from special reserve for the year ended 31 December 2011	711	–	711
Transferred to realised and unrealised reserves	1,715	59	1,774
Net assets as at 31 December 2011	22,905	5,909	28,814
Net asset value per share as at 31 December 2011 (pence)	75.5	93.0	

The Company paid a dividend of 5.00 pence per Ordinary share and 2.50 pence per D share during the year (2010: 8.00 pence per Ordinary share and 1.00 pence per D share).

As described in the Chairman's statement, the Board has declared a first dividend for the year ending 31 December 2012 of 2.50 pence per Ordinary share and 1.75 pence per D share. This dividend will be paid on 31 May 2012 to shareholders on the register as at 4 May 2012.

As shown in the Ordinary shares' Income statement on page 35, the total investment income has fallen slightly to £827,000 (2010: £835,000) due to lower dividends on investments received during the year. Consequently, the Company's total revenue return to equity holders has fallen slightly to £419,000 (2010: £447,000).

The Ordinary shares' total capital return for the year was £1,004,000 (2010: £706,000) which was mainly attributable to realised gains on investments offset by unrealised losses and expenses charged to capital.

Directors' report and enhanced business review (continued)

The Ordinary shares' total return per share was 4.7 pence per share (2010: 3.9 pence per share).

The Ordinary shares' Balance sheet on page 37 shows that the net asset value per share has increased over the last year to 75.5 pence per share (2010: 75.4 pence per share). The increase in net asset value can be attributed to the unrealised gains on investments in the year and the buy-back of Ordinary shares by the Company at a discount to net asset value, partially offset by the payment of the dividend of 5.00 pence per Ordinary share during the year.

Cash flow for the Ordinary shares was positive for the year, with net proceeds from fundraising and the disposal of investments being partially offset by the payment of dividends and the buy-back of shares.

The D shares' income statement on page 35 showed an increase in income to £211,000 (2010: £89,000) due to an increase in interest received on new investments made during the year.

D shares' total capital return was £59,000 (2010: loss of £44,000) reflecting the unrealised gains on valuation of investments partially offset by the capitalisation of management fees for the year.

The D shares' total return per share was 2.5 pence per share (2010: loss of 0.6 pence per share).

The D shares' Balance sheet on page 38 shows a net asset value of 93.0 pence per share (2010: 93.0 pence per share). The consistency in net asset value can be attributed to the factors described above, notwithstanding the payment of the dividend of 2.5 pence per D share during the year.

The cash flow for the D shares was negative for the year as a result of new investments made, operating costs and dividends paid during the year.

Key performance indicators

The Directors believe that the following key performance indicators are the most important to the business.

The graph on page 4 shows Albion Development VCT PLC's Ordinary and D shares' net asset value total return against the FTSE All-Share Index total return, in both instances with dividends reinvested. Details on the performance of the net asset value and return per share for the year are shown above.

The total expense ratio for the Company for the year to 31 December 2011 was 3.0 per cent. (2010: 3.0 per cent.).

The Company continues to comply with HMRC rules in order to maintain its status under Venture Capital Trust legislation as highlighted on page 18.

Share buy-backs

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current discount policy can be found on page 7 of the Chairman's statement.

In the Directors' view, there are no other non-financial performance indicators materially relevant to the business.

Principal risks and uncertainties

In addition to the current economic risks outlined in the Chairman's statement, the Board considers that the Company faces the following major risks and uncertainties:

1. *Economic risk*

   Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and other factors could substantially and adversely affect the Company's prospects in a number of ways.

   To reduce this risk, in addition to investing equity in portfolio companies, the Company often invests in secured loan stock and has a policy of not permitting any external bank borrowings within portfolio companies. Additionally, the Manager has been rebalancing the sector exposure of the portfolio with a view to reducing reliance on consumer led sectors.

2. *Investment risk*

   This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders, and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.

   To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites, and takes into account, comments from all non-executive Directors of the Company on investments discussed at the

Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards) and the Board receives reports on each investment as part of the Manager's report at quarterly board meetings. It is the policy of the Company for portfolio companies to not normally have external borrowings.

3. *Valuation risk*
The Company's investment valuation method is reliant on the accuracy and completeness of information that is issued by portfolio companies. In particular, the Directors may not be aware of or take into account certain events or circumstances which occur after the information issued by such companies is reported.

As described in note 2 of the Financial Statements, the unquoted equity investments, convertible loan stock and debt issued at a discount held by the Company are measured at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. These investments are valued on the basis of forward looking estimates and judgements about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgements the valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. All other unquoted loan stock is measured at amortised cost.

4. *Venture Capital Trust approval risk*
The Company's current approval as a venture capital trust allows investors to take advantage of tax reliefs on initial investment and ongoing tax free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the tax relief on initial investment and loss of tax relief on any tax-free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

To reduce this risk, the Board has appointed the Manager, who 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 PricewaterhouseCoopers LLP as its taxation advisers. PricewaterhouseCoopers LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

5. *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 quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditor, lawyers and other professional bodies.

6. *Internal control risk*
Failures in key controls, within the Board or within the Manager's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

The Audit Committee meets with the Manager's internal auditors, Littlejohn LLP, at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. During the year the Board met with the internal audit Partner of Littlejohn LLP to discuss the most recent Internal Audit Report on the Manager. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 30.

Measures are in place to mitigate information risk in order to ensure the integrity, availability and confidentiality of information used within the business.

7. *Reliance upon third parties risk*
The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions. There are provisions within the Management Agreement for the

change of Manager under certain circumstances (for more detail, see the Management agreement paragraph on page 23). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.

8. *Financial risks*
By its nature, as a venture capital trust, the Company is exposed to investment risk (which comprises investment price risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 19 to the Financial Statements.

All of the Company's income and expenditure is denominated in sterling and hence the Company has no foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments for speculative purposes.

Environment
The management and administration of Albion Development VCT PLC 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 will be shown in the financial statements of Albion Ventures LLP.

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 below:

	31 March 2012	
	Ordinary shares	**D shares**
Andrew Phillipps	**141,482**	**25,625**
David Pinckney	**5,000**	**–**
Jonathan Thornton	**86,157**	**10,400**
Geoffrey Vero	**17,957**	**10,400**
Total	**250,596**	**46,425**

	31 December 2011	
	Ordinary shares	**D shares**
Andrew Phillipps	**141,482**	**25,625**
David Pinckney	**5,000**	**–**
Jonathan Thornton	**86,157**	**10,400**
Geoffrey Vero	**13,947**	**10,400**
Total	**246,586**	**46,425**

	31 December 2010	
	Ordinary shares	**D shares**
Andrew Phillipps	123,000	25,625
David Pinckney	5,000	–
Jonathan Thornton	73,896	10,400
Geoffrey Vero	12,000	10,400
Total	213,896	46,425

Between 31 December 2011 and the date of this report, 4,010 Ordinary shares were acquired by Geoffrey Vero under the Albion VCTs Linked Top Up Offer 2011/2012.

Partners and staff of Albion Ventures LLP, the Manager, hold a total of 99,167 Ordinary and 141,648 D shares in the Company.

All Directors are members of the Audit Committee of which David Pinckney is Chairman.

Further details regarding the Directors' remuneration are shown on page 32.

Directors' indemnity
Each Director has entered into a Deed of indemnity with the Company pursuant to which, the Company agrees, subject to the provisions of the Companies Act 2006 and the limitations set out in each deed, to indemnify each Director 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.

Re-election of Directors
Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code on Corporate Governance. At the forthcoming Annual General Meeting, David Pinckney and Jonathan Thornton, having served as Directors for longer than nine years, will retire and offer themselves for re-election.

Directors' report and enhanced business review (continued)

Management agreement

Under the Management agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management agreement may 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 paid an annual fee equal to 2.25 per cent. of the net asset value of the Company paid quarterly in arrears.

Total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value.

In line with common practice, the Manager is also entitled to an arrangement fee, payable by each portfolio company, of approximately 2 per cent. on each investment made.

Management performance incentive

The Management performance incentive structure sets a minimum target level, comprising the aggregate of dividends and net asset value per share, at 6.5 pence per share per annum. The Ordinary shares' target minimum return is cumulative from 1 January 2007 (which used the pro forma net asset value of 98.70 pence per share), and for the D shares, is 100.00 pence per share.

In the event that the minimum return is not reached in one year, the shortfall needs to be made up in following years. The incentive fee is set at 20 per cent. of the excess return.

There was no management performance incentive fee payable during the year.

Evaluation of the manager

The Board, through the Audit Committee has evaluated the remuneration and performance of the Manager based on the returns generated by the Company, the continuing achievement of the 70 per cent. investment requirement for Venture Capital Trust status, the long term prospects of investments, a review of the Management agreement and the services provided therein, and benchmarking the performance and remuneration 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.

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

In 2007, the Audit Committee undertook a tendering exercise for the provision of audit services. As a result of this process, PKF (UK) LLP were appointed as Auditor with effect from 2008. 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. A resolution to re-appoint PKF (UK) LLP as Auditor will be proposed at the forthcoming Annual General Meeting.

Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2011 (2010: nil). Creditor days as at 31 December 2011 were nil days (2010: 77 days).

Annual General Meeting and General Meetings

The Annual General Meeting will be held at the City of London Club, 19 Old Broad St, London, EC2N 1DS at 11.30am on Friday 15 June 2012. The notice of the Annual General Meeting is at the end of this document.

Following the Annual General Meeting, there will be class meetings for Ordinary shares and D shares in order to consider the proposals relating to the cancellation of share capital and reserves.

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

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

Electronic and web communications

Ordinary resolution number 7 will request authority to send all documents, notices and information to shareholders by electronic means (as such term is defined in the Financial Services Authority's Disclosure and Transparency Rules) including by means of a website and in all electronic forms. With effect from 20 January 2007 the Companies Act 2006 introduced new provisions enabling companies to communicate with shareholders by electronic and/or website communication. A company is allowed to send documents to a shareholder in electronic form (subject to consent of the shareholders) via a website. Before the Company can communicate with a shareholder by means of website communication:

(a) an ordinary resolution of the shareholders of the Company authorising the use of electronic communications is required under the Financial Services Authority's Disclosure and Transparency Rules; and

(b) the relevant shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him or her by means of a website.

The Company must have received a positive response in order for consent to electronic communications to have been given. The Company will notify the shareholder (either by post, or by other permitted means) when a relevant document or information is placed on the website and a shareholder retains the right to request a hard copy version of the document or information.

These new provisions should lead to administrative cost savings in the future and the Company plans to contact shareholders individually for their consent to receive communications from the Company via its website or to elect to receive communications either electronically or in hard copy.

Removal of authorised share capital

Special resolution number 8 will propose the removal of the concept of authorised share capital from the Company's Articles, as permitted by the Companies Act 2006.

Directors will still be limited as to the number of shares they can at any time allot because an allotment authority for the Company continues to be required under the Companies Act 2006.

Power to allot shares

Ordinary resolution number 9 will request the authority to allot up to 10 per cent. of the issued Ordinary and D share capital.

During the year Ordinary and D shares were allotted as described in detail in note 15.

The Directors do not currently have any intention to allot shares, apart from the Albion VCTs Linked Top Up Offers, the Dividend Reinvestment Schemes and reissuing treasury shares where it is in the Company's interest to do so.

The Company currently holds 3,428,000 Ordinary shares in treasury representing 10.0 per cent. of the Ordinary share capital in issue as at 31 March 2012.

There are no D shares held in treasury.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2011. 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.

Dis-application of pre-emption rights

Special resolution number 10 will request authority for Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum of 10 per cent. of the issued Ordinary and D share capital of the Company as at the date of this Report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2011. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier. Members should note that this resolution also applies to treasury shares.

Purchase of own shares

Special resolution number 11 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital and issued D share capital at, or between, the minimum and maximum prices specified in resolution 11.

Shares bought back under this authority may be cancelled and up to 10 per cent. can be held in treasury.

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.

This resolution would renew the 2011 authority, which was in similar terms. During the financial year under review, the Company purchased 723,700 Ordinary shares to be held in treasury, cancelled 500,000 Ordinary shares from treasury and purchased 482,372 Ordinary shares for cancellation. Further information is shown in note 15.

The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier. Members should note that this resolution also applies to treasury shares.

Directors' report and enhanced business review (continued)

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 by these resolutions is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

Special resolution number 12 will request the authority for Directors to sell treasury shares at the higher of the prevailing share price and the price bought in at.

Cancellation of share capital and reserves

Special resolutions number 13 and 14 are part of a proposal (the 'Proposal') by the Board to increase the Company's distributable reserves by way of a reduction of the Ordinary and D shares' share capital and cancellation of its capital redemption and share premium reserves, subject to shareholder approval, approval of the Ordinary shareholders as a class, approval of the D shareholders as a class and confirmation by the Court.

It is the Board's policy to pay regular and predictable dividends to shareholders as the Directors believe that this is a key source of shareholder value. The Company also has a policy of buying back its own shares for cancellation or for holding as treasury shares, when such purposes are considered to be to the advantage of the Company and shareholders as a whole. These shares are purchased at a discount to Net Asset Value which enhances the Company's Net Asset Value per share.

Under the Companies Act 2006 (the 'Act'), the Company is only permitted to pay dividends and to make buy backs from its accumulated distributable reserves. Therefore the Board believes that increasing the distributable reserves is in the interests of shareholders. Details of these reserves are shown on page 39 of this Annual Report and Financial Statements.

The Directors believe that the Company should restructure its balance sheet by (1) cancelling and extinguishing 49 pence of the amount paid up on each of its issued Ordinary and D shares and reducing the nominal value of its issued Ordinary shares from 50 pence to 1 penny per share; (2) cancelling and extinguishing 49 pence of the amount paid up on each of its issued D shares and reducing the nominal value of its issued D shares from 50 pence to 1 penny per share; and (3) cancelling the sum credited to its capital redemption and share premium reserves attributable to the Ordinary and D shares.

As stated in note 15 of the Company's Financial Statements, the Company's issued share capital as at 31 December 2011 was 33,823,795 Ordinary shares of 50 pence each and 6,352,652 D shares of 50 pence each, all of which had been issued as fully paid. Since 31 December 2011, an additional 1,922,987 Ordinary shares have been issued up to the date of this report. If the nominal value of each of these issued Ordinary shares is reduced from 50 pence to 1 penny, the Company's issued share capital will be reduced from £17,853,693 to £357,074 for Ordinary shares and £3,176,326 to £63,526 for D shares.

The Company's capital redemption reserve was created as a result of previous buy-backs of the Company's shares. As at 31 December 2011, the amount credited to the Ordinary shares capital redemption reserve was £1,916,748 and £nil was credited to the D shares capital redemption reserve.

The Ordinary and D shares' share premium reserves account for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to special reserve. As at 31 December 2011, the amount credited to the Ordinary share's share premium account was £631,698 and to the D share's share premium account was £5,036.

It is anticipated that the Company will issue further shares and carry out further buy-backs of Ordinary shares before the date of the final hearing (the "Final Hearing") of the Company's application to reduce its share capital and cancel its capital redemption reserve and share premium accounts. The Company's issued share capital and amount credited to the capital redemption and share premium reserves will therefore be subject to changes after the Company's Annual General Meeting. Special resolutions numbers 13 and 14 provide for (i) the reduction in nominal value of any Ordinary shares of 50 pence each which are in issue at the close of business on the day before the date of the Final Hearing; (ii) the reduction in nominal value of any D shares of 50 pence each which are in issue at the close of business on the day before the Final Hearing; and (iii) the cancellation of the amount credited to the Company's capital redemption and share premium reserves attributable to the Ordinary and the D shares as at the close of business on the day before the date of the Final Hearing.

The Proposal is a means of increasing the Company's distributable reserves available for the payment of dividends, for share buy-backs and for other corporate purposes. Subject to any creditor protection demanded by the Court (see below), the proposed reduction of share capital and cancellation of its capital redemption and special reserves will create additional distributable reserves of approximately £20.0 million for the Ordinary shares and £3.1 million for the D shares.

As there is nothing in the Company's Articles prohibiting it from doing so, the Company may reduce its share capital and cancel its capital redemption and share premium

Directors' report and enhanced business review (continued)

reserves by obtaining the approval of shareholders by special resolution, approval of the Ordinary shareholders as a class and approval of the D shareholders as a class. If the special resolution is approved by shareholders and approvals of the Ordinary and D shareholders, each as a class is received, the Company will apply to Court for a Court Order and this is expected to take place during July 2012. The Court may require the Company to protect the interests of the creditors of the Company and the Company can confirm that it will seek approval from all creditors to this proposal. The main creditors, namely the Manager, and Berwin Leighton Paisner have already given their consent to the Proposal.

In order for the cancellation of share capital to become effective, the Court Order confirming the reduction must be filed at Companies House for registration by the Registrar of Companies, usually 2-3 days after the date of Court approval.

General Meetings of the Ordinary shareholders and the D shareholders

The notice of the General Meeting of the Ordinary shareholders is at page 67 and the notice of the General Meeting of the D shareholders is at page 70. The proxy forms enclosed with this Annual Report and Financial Statements permit Ordinary shareholders and D shareholders to disclose votes 'for', 'against', and 'withheld' respectively. 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 each of the General Meeting of the Ordinary shareholders and the General Meeting of the D shareholders will be published at www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Albion Development VCT PLC.

Recommendation

Your Board believes that the passing of the resolutions above are in the best interests of the Company and its Shareholders as a whole, and unanimously recommends that you vote in favour of all the proposed resolutions, as the Directors intend to do in respect of their own beneficial shareholdings.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and enhanced business review, the Directors' remuneration report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to 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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors confirm, to the best of their knowledge that:

- the Financial Statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Management report included within the Chairman's statement, Manager's report and Directors' report and enhanced business review, includes a fair review of the development and performance of the business and the

Directors' report and enhanced business review (continued)

position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the Directors are stated on page 9.

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
11 April 2012

Statement of corporate governance

Background
The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (“the Code”) issued by the Financial Reporting Council (“FRC”) in May 2010.

The Board of Albion Development VCT PLC 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 Section 1 of the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Albion Development VCT PLC.

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 Code, except as set out below.

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

Board of Directors
The Board consists solely of non-executive Directors. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer. Given the small size of the Board and as the Board comprises wholly non-executive Directors, it has not been considered necessary to appoint a Senior Independent Director.

Geoffrey Vero is the Chairman of the Company and is considered independent. David Pinckney, Andrew Phillipps and Jonathan Thornton are also considered independent Directors.

David Pinckney and Jonathan Thornton have been Directors of the Company for more than nine years and, in accordance with the recommendations of the AIC code, are subject to annual re-election. The Board does not consider that a Director’s length of service reduces his ability to act independently of the Manager.

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 9. 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 UK Corporate Governance Code, the Company has in place Directors’ & Officers’ Liability Insurance.

The Board met four times during 2011 as part of its regular programme of Board meetings. In addition, and in accordance with best practice, a further meeting took place without the Manager present. All of the Directors attended each meeting. A sub-committee of the Board comprising two directors met twice during the year to allot shares issued under the Dividend Reinvestment Scheme. In addition, sub-committees of the Board met to finalise matters relating to the Albion VCTs Linked Top Up Offers and to allot shares under the Offers.

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

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- 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 appointment, evaluation, removal and remuneration of the Manager;

Statement of corporate governance (continued)

- 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.

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 Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company. The Board considers any skills gaps in existence and takes action to remedy these where necessary.

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.

As a result of the performance evaluation process, David Pinckney and Jonathan Thornton are considered to be effective Directors and demonstrate strong commitment to the role. The Board believes it to be in the best interests of the Company to propose that these Directors be re-elected at the forthcoming Annual General Meeting.

Remuneration Committee
Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in the Listing Rules are not considered relevant.

Audit Committee
The Audit Committee consists of all Directors. David Pinckney is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2011; all members attended.

Written terms of reference have been constituted for the Audit Committee, these are as follows:

- providing an overview of the Company's accounting policies and financial reporting;
- reviewing the Company's financial controls;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the Annual Report and Financial Statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external Auditor annually, evaluating the performance of the external Auditor and making recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditor and approving their remuneration and terms of engagement;
- monitoring and reviewing the external Auditor's independence and objectivity and the effectiveness of the audit process;
- developing and implementing a policy for the supply of non-audit services by the external Auditor;
- meeting the external Auditor at least once a year without the presence of the Manager;
- monitoring and reviewing the effectiveness of the Manager's internal audit function;
- ensuring that all Directors of the Company and staff of companies which provide services to the Company feel able to raise matters of serious concern with the Chairman of the Audit Committee, and that these issues, when raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and reviewing the performance of the Manager and all matters arising under the Management agreement.

During the year under review, the Committee discharged the responsibilities described above. Its activities included:

- formally reviewing the final Annual Report and Financial Statements, the Half-yearly Financial 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 partner in charge of the Albion Ventures' internal audit at Littlejohn LLP;
- meeting with the external Auditor and reviewing their findings; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

The 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. There were no non-audit fees charged to the Company during the year (2010: nil).

Where non-audit fee levels are considered significant, the Committee considers the appropriateness of the independence safeguards put in place by the Auditor. Note 6 details the total fees paid to PKF (UK) LLP in the financial year to 31 December 2011. The Committee considers PKF (UK) LLP to be independent of the Company, and that the provision of non-audit services does not threaten the objectivity and independence of the audit. As part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation and the audit feedback documentation. Based on the assurance obtained, the Committee has recommended to the Board that PKF (UK) LLP is reappointed and that a resolution to this effect be proposed at the forthcoming Annual General Meeting.

Nomination Committee

The Nomination Committee consists of all Directors, with Geoffrey Vero as Chairman. Given the size of the Board, this facilitates more effective and efficient communication. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee did not meet during 2011 and will meet when it is appropriate for it to do so.

The terms and conditions of Directors' appointment are available for inspection 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 Internal Control Guidance for Directors in the UK Corporate Governance Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls, and risk management. The Board 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 Board'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 system with respect to financial reporting, in place throughout the year are:

- segregation of duties between the preparation of valuations and the recording in 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 Operations Partner of Albion Ventures LLP;
- bank and stock reconciliations are carried out monthly by the Manager in accordance with the FSA requirements;
- all published financial reports are reviewed by Albion Ventures LLP Compliance department;
- the Board reviews financial information; and
- a separate Audit Committee of the Board reviews published financial information.

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 Littlejohn LLP, which, as internal Auditor for Albion Ventures LLP, undertakes periodic examination of the business processes and control environment at Albion Ventures LLP, and ensures that any recommendations to implement improvements in controls are carried out. Littlejohn reports formally to the Board of Albion Development VCT PLC on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going concern

In accordance with "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" issued by

Statement of corporate governance (continued)

the Financial Reporting Council, the Board has assessed the Company's operation as a going concern. The Company has significant cash and liquid resources for the foreseeable future. The portfolio of investments is well diversified in terms of sector, and the major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 19. The Company's business activities, together with details of its performance are shown in the Directors' report and enhanced business review.

Conflicts of interest
Directors review the disclosure of conflicts of interest annually, with any changes reviewed and noted at the beginning of each Board meeting. A Director who has conflicts of interest has two independent Directors authorise 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 on pages 17 and 24 respectively of the Directors' report and enhanced business review. 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.

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 11.30am on 15 June 2012 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

Shareholders are able to access the latest information on the Company via the Albion Ventures LLP website www.albion-ventures.co.uk under the "Our Funds" section.

Any enquiries relating to shareholdings and share certificates or changes to personal details can be directed to Computershare Investor Services PLC:

Tel: 0870 873 5853
UK national rate call (lines are open 8.30am – 5.30pm, Mon – Fri)
Website: www.computershare.co.uk

Contact information and frequently asked questions: www-uk.computershare.com/Investor/contactus

Specific enquiries relating to the performance of the Fund should be directed to 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

The Company's share buy-back programme operates in the market through brokers. In order to sell shares, as they are quoted on the London Stock Exchange, investors should 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
With the exception of the requirement to have a Senior Independent Director and a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 December 2011 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

By Order of the Board

Geoffrey Vero
Chairman
1 King's Arms Yard
London EC2R 7AF
11 April 2012

Directors' remuneration report

Introduction

This report is submitted in accordance with Section 420 of the Companies Act 2006. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

UNAUDITED INFORMATION

Remuneration Committee

Since the Company's Board consists solely of non-executive Directors and there are no executive employees, a Remuneration Committee is not considered necessary.

Directors' remuneration policy

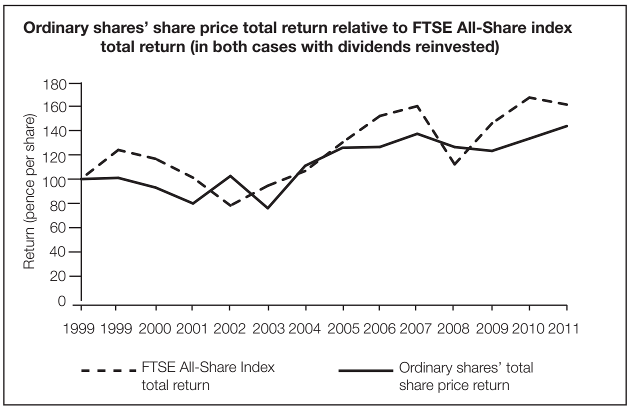
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company.

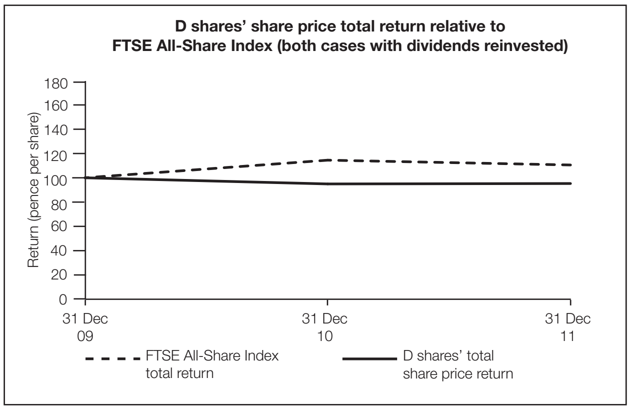
The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £100,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders.

Performance graph

The graphs below show Albion Development VCT PLC's Ordinary and D shares' share price total return against the FTSE All-Share Index total return, in both instances with dividends reinvested, since launch. The Directors consider the FTSE All-Share Index to be the most appropriate benchmark for the Company. Investors should, however, be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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





Source: Albion Ventures LLP

Methodology: The share price return to the shareholder, including original amount invested (rebased to 100) from launch, 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.

Service contracts

None of the Directors has a service contract with the Company.

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. At the forthcoming Annual General Meeting David Pinckney and Jonathan Thornton will retire and be proposed for re-election.

AUDITED INFORMATION

Directors' remuneration

The following items have been audited.

The following table shows an analysis of the remuneration of individual Directors, exclusive of National Insurance or VAT:

	31 December 2011 £'000	31 December 2010 £'000
Jonathan Thornton	20.5	20.5
Andrew Phillipps	20.5	20.5
David Pinckney	20.5	20.5
Geoffrey Vero	20.5	20.5
	82.0	82.0

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.

Each Director of the Company was remunerated personally through the Manager's payroll which has been recharged to the Company, save for Jonathan Thornton whose services were provided by Jonathan Thornton Limited during the year.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £9,063 (2010: £9,450).

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King's Arms Yard
London, EC2R 7AF
11 April 2012

Independent Auditor's report to the Members of Albion Development VCT PLC

We have audited the Financial Statements of Albion Development VCT PLC for the year ended 31 December 2011 which comprise the Income statement, the Balance sheet, the Reconciliation of movements in shareholders' funds, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' responsibilities, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report and enhanced business review for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Statement of corporate governance set out on pages 28 to 31 in the Annual Report in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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' statement, set out in the Statement of corporate governance on page 30, in relation to going concern; and
- the part of the Statement of corporate governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Rhodri Whitlock (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK
11 April 2012

Income statement

	Note	Combined Year ended 31 December 2011 Revenue £'000	Capital £'000	Total £'000	Combined Year ended 31 December 2010 Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	**–**	**1,421**	**1,421**	–	1,005	1,005
Investment income	4	**1,038**	**–**	**1,038**	924	–	924
Investment management fees	5	**(162)**	**(484)**	**(646)**	(152)	(457)	(609)
Other expenses	6	**(207)**	**–**	**(207)**	(229)	–	(229)
Return on ordinary activities before tax		**669**	**937**	**1,606**	543	548	1,091
Tax (charge)/credit on ordinary activities	8	**(152)**	**126**	**(26)**	(82)	114	32
Return attributable to shareholders		**517**	**1,063**	**1,580**	461	662	1,123

The accompanying notes on pages 45 to 62 form an integral part of these Financial Statements.

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

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

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

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

Disclosure of basic and diluted earnings per share is given in the underlying Ordinary and D share fund Income statements on the following pages.

Income statement (non-statutory analysis)

		Ordinary shares Year ended 31 December 2011			Ordinary shares Year ended 31 December 2010		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	1,289	1,289	–	985	985
Investment income	4	827	–	827	835	–	835
Investment management fees	5	(129)	(385)	(514)	(125)	(376)	(501)
Other expenses	6	(159)	–	(159)	(185)	–	(185)
Return on ordinary activities before tax		539	904	1,443	525	609	1,134
Tax (charge)/credit on ordinary activities	8	(120)	100	(20)	(78)	97	19
Return attributable to shareholders		419	1,004	1,423	447	706	1,153
Basic and diluted return per share (pence)*	10	1.4	3.3	4.7	1.5	2.4	3.9

		D shares Year ended 31 December 2011			D shares Year ended 31 December 2010		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	132	132	–	20	20
Investment income	4	211	–	211	89	–	89
Investment management fees	5	(33)	(99)	(132)	(27)	(81)	(108)
Other expenses	6	(48)	–	(48)	(44)	–	(44)
Return/(loss) on ordinary activities before tax		130	33	163	18	(61)	(43)
Tax (charge)/credit on ordinary activities	8	(32)	26	(6)	(4)	17	13
Return/(loss) attributable to shareholders		98	59	157	14	(44)	(30)
Basic and diluted return/(loss) per share (pence)*	10	1.6	0.9	2.5	0.3	(0.9)	(0.6)

* *excluding treasury shares*

The accompanying notes on pages 45 to 62 form an integral part of these Financial Statements.

Balance sheet

	Note	Combined 31 December 2011 £'000	Combined 31 December 2010 £'000
Fixed asset investments	11	**21,113**	19,639
Current assets			
Trade and other debtors	13	**131**	237
Current asset investments	13	**637**	–
Cash at bank and in hand	17	**7,195**	8,512
		7,963	8,749
Creditors: amounts falling due within one year	14	**(262)**	(470)
Net current assets		**7,701**	8,279
Net assets		**28,814**	27,918
Capital and reserves			
Called up share capital	15	**20,088**	19,388
Share premium		**636**	37
Capital redemption reserve		**1,917**	1,426
Unrealised capital reserve		**(3,143)**	(5,063)
Special reserve		**7,379**	10,497
Treasury shares reserve		**(2,699)**	(2,633)
Realised capital reserve		**2,713**	2,860
Revenue reserve		**1,923**	1,406
Total equity shareholders' funds		**28,814**	27,918

The accompanying notes on pages 45 to 62 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 11 April 2012 and were signed on its behalf by

Geoffrey Vero
Chairman

Company number: 3654040

Balance sheet (non-statutory analysis)

		Ordinary shares 31 December 2011	Ordinary shares 31 December 2010
	Note	£'000	£'000
Fixed asset investments	11	**17,147**	17,853
Current assets			
Trade and other debtors	13	**101**	219
Current asset investments	13	**137**	–
Cash at bank and in hand	17	**5,734**	4,227
		5,972	4,446
Creditors: amounts falling due within one year	14	**(214)**	(279)
Net current assets		**5,758**	4,167
Net assets		**22,905**	22,020
Capital and reserves			
Called up share capital	15	**16,912**	16,220
Share premium		**631**	37
Capital redemption reserve		**1,917**	1,426
Unrealised capital reserve		**(3,269)**	(5,083)
Special reserve		**4,792**	7,752
Treasury shares reserve		**(2,699)**	(2,633)
Realised capital reserve		**2,825**	2,924
Revenue reserve		**1,796**	1,377
Total equity shareholders' funds		**22,905**	22,020
Basic and diluted net asset value per share (pence)*	16	**75.5**	75.4

* *excluding treasury shares*

The accompanying notes on pages 45 to 62 form an integral part of these Financial Statements.

Balance sheet (non-statutory analysis)

	Note	D shares 31 December 2011 £'000	D shares 31 December 2010 £'000
Fixed asset investments	11	**3,966**	1,786
Current assets			
Trade and other debtors	13	**30**	18
Current asset investments	13	**500**	–
Cash at bank and in hand	17	**1,461**	4,285
		1,991	4,303
Creditors: amounts falling due within one year	14	**(48)**	(191)
Net current assets		**1,943**	4,112
Net assets		**5,909**	5,898
Capital and reserves			
Called up share capital	15	**3,176**	3,168
Share premium		**5**	–
Capital redemption reserve		**–**	–
Unrealised capital reserve		**126**	20
Special reserve		**2,587**	2,745
Treasury shares reserve		**–**	–
Realised capital reserve		**(112)**	(64)
Revenue reserve		**127**	29
Total equity shareholders' funds		**5,909**	5,898
Basic and diluted net asset value per share (pence)*	16	**93.0**	93.0

* *excluding treasury shares*

The accompanying notes on pages 45 to 62 form an integral part of these Financial Statements.

Reconciliation of movements in shareholders' funds

Combined

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2011	**19,388**	**37**	**1,426**	**(5,063)**	**10,497**	**(2,633)**	**2,860**	**1,406**	**27,918**
Net realised gains on investments	–	–	–	–	–	–	1,340	–	1,340
Unrealised gains on investments	–	–	–	81	–	–	–	–	81
Transfer of unrealised losses to realised losses	–	–	–	1,839	–	–	(1,839)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(484)	–	(484)
Tax relief on costs charged to capital	–	–	–	–	–	–	126	–	126
Purchase of own treasury shares	–	–	–	–	–	(462)	–	–	(462)
Cancellation of treasury shares	(250)	–	250	–	(396)	396	–	–	–
Purchase of own shares for cancellation	(241)	–	241	–	(306)	–	–	–	(306)
Issue of equity (net of costs)	1,191	599	–	–	–	–	–	–	1,790
Transfer from special reserve to revenue reserve	–	–	–	–	(1,705)	–	–	1,705	–
Transfer from special reserve to realised capital reserve**	–	–	–	–	(711)	–	711	–	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	517	517
Dividends paid	–	–	–	–	–	–	–	(1,705)	(1,705)
As at 31 December 2011	**20,088**	**636**	**1,917**	**(3,143)**	**7,379**	**(2,699)**	**2,713**	**1,923**	**28,814**
As at 1 January 2010	17,074	640	1,183	(6,365)	12,507	(2,540)	1,389	995	24,883
Net realised gains on investments	–	–	–	–	–	–	386	–	386
Unrealised gains on investments	–	–	–	619	–	–	–	–	619
Transfer of unrealised losses to realised losses	–	–	–	682	–	–	(682)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(457)	–	(457)
Tax relief on costs charged to capital	–	–	–	–	–	–	114	–	114
Purchase of own treasury shares	–	–	–	–	–	(289)	–	–	(289)
Cancellation of treasury shares	(121)	–	121	–	(196)	196	–	–	–
Purchase of own shares for cancellation	(120)	–	120	–	(158)	–	–	–	(158)
Issue of equity (net of costs)	2,555	2,221	–	–	–	–	–	–	4,776
Cancellation of share premium account	–	(2,824)	–	–	2,810	–	–	14	–
Transfer from special reserve to realised reserve	–	–	–	–	(3,301)	–	3,301	–	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	461	461
Dividends paid	–	–	–	–	(1,165)	–	(1,191)	(64)	(2,420)
As at 31 December 2010	19,388	37	1,426	(5,063)	10,497	(2,633)	2,860	1,406	27,918

* Included within these reserves is an amount of £6,173,000 (2010: £7,067,000) which is considered distributable. The special reserve has been treated as distributable in determining the amounts available for distribution.

** The special reserve allows the Company, amongst other things, to facilitate the payment of dividends earlier than would otherwise have been possible as transfers can be made from this reserve to the realised capital reserve to offset gross losses on disposal of investments and transferred to the revenue reserve to cover dividend payments. Accordingly, a transfer of £711,000, representing gross realised losses on disposal of investments during the year ended 31 December 2011, has been made from the special reserve to the realised capital reserve and an amount of £1,705,000 representing the dividend paid has been transferred from special reserve to revenue reserve.

Reconciliation of movements in shareholders' funds

Ordinary shares (non-statutory analysis)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2011	**16,220**	**37**	**1,426**	**(5,083)**	**7,752**	**(2,633)**	**2,924**	**1,377**	**22,020**
Net realised gains on investments	–	–	–	–	–	–	1,314	–	1,314
Unrealised (losses) on investments	–	–	–	(25)	–	–	–	–	(25)
Transfer of unrealised losses to realised losses	–	–	–	1,839	–	–	(1,839)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(385)	–	(385)
Tax relief on costs charged to capital	–	–	–	–	–	–	100	–	100
Purchase of own treasury shares	–	–	–	–	–	(462)	–	–	(462)
Cancellation of shares out of treasury	(250)	–	250	–	(396)	396	–	–	–
Purchase of own shares for cancellation	(241)	–	241	–	(306)	–	–	–	(306)
Issue of equity (net of costs)	1,183	594	–	–	–	–	–	–	1,777
Transfer from special reserve to revenue reserve	–	–	–	–	(1,547)	–	–	1,547	–
Transfer from special reserve to realised capital reserve**	–	–	–	–	(711)	–	711	–	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	419	419
Dividends paid	–	–	–	–	–	–	–	(1,547)	(1,547)
As at 31 December 2011	**16,912**	**631**	**1,917**	**(3,269)**	**4,792**	**(2,699)**	**2,825**	**1,796**	**22,905**
As at 1 January 2010	16,357	–	1,183	(6,365)	12,507	(2,540)	1,390	994	23,526
Net realised gains on investments	–	–	–	–	–	–	386	–	386
Unrealised gains on investments	–	–	–	599	–	–	–	–	599
Transfer of unrealised losses to realised losses	–	–	–	682	–	–	(682)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(376)	–	(376)
Tax relief on costs charged to capital	–	–	–	–	–	–	97	–	97
Purchase of own treasury shares	–	–	–	–	–	(289)	–	–	(289)
Cancellation of treasury shares	(121)	–	121	–	(196)	196	–	–	–
Purchase of own shares for cancellation	(120)	–	120	–	(158)	–	–	–	(158)
Issue of equity (net of costs)	104	37	–	–	–	–	–	–	141
Transfer from special reserve to realised reserve	–	–	–	–	(3,301)	–	3,301	–	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	447	447
Dividends paid	–	–	–	–	(1,100)	–	(1,191)	(64)	(2,355)
As at 31 December 2010	16,220	37	1,426	(5,083)	7,752	(2,633)	2,924	1,377	22,020

* Included within these reserves is an amount of £3,445,000 (2010: £4,337,000) which is considered distributable. The special reserve has been treated as distributable in determining the amounts available for distribution.

** The special reserve allows the Company, amongst other things, to facilitate the payment of dividends earlier than would otherwise have been possible as transfers can be made from this reserve to the realised capital reserve to offset gross losses on disposal of investments and transferred to the revenue reserve to cover dividend payments. Accordingly, a transfer of £711,000, representing gross realised losses on disposal of investments during the year ended 31 December 2011, has been made from the special reserve to the realised capital reserve and an amount of £1,547,000 representing the dividend paid has been transferred from the special reserve to revenue reserve.

Reconciliation of movements in shareholders' funds

D shares (non-statutory analysis)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2011	**3,168**	**–**	**–**	**20**	**2,745**	**–**	**(64)**	**29**	**5,898**
Net realised gains on investments	–	–	–	–	–	–	26	–	26
Unrealised gains on investments	–	–	–	106	–	–	–	–	106
Capitalised investment management fee	–	–	–	–	–	–	(99)	–	(99)
Tax relief on costs charged to capital	–	–	–	–	–	–	26	–	26
Issue of equity (net of costs)	8	5	–	–	–	–	–	–	13
Transfer from special reserve to revenue reserve	–	–	–	–	(158)	–	–	158	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	98	98
Dividends paid	–	–	–	–	–	–	–	(158)	(158)
As at 31 December 2011	**3,176**	**5**	**–**	**126**	**2,587**	**–**	**(112)**	**127**	**5,909**
As at 1 January 2010	717	640	–	–	–	–	(1)	1	1,357
Unrealised gains on investments	–	–	–	20	–	–	–	–	20
Capitalised investment management fee	–	–	–	–	–	–	(81)	–	(81)
Tax relief on costs charged to capital	–	–	–	–	–	–	17	–	17
Issue of equity (net of costs)	2,451	2,184	–	–	–	–	–	–	4,635
Cancellation of share premium account	–	(2,824)	–	–	2,810	–	–	14	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	14	14
Dividends paid	–	–	–	–	(65)	–	–	–	(65)
As at 31 December 2010	3,168	–	–	20	2,745	–	(64)	29	5,898

* Included within these reserves is an amount of £2,602,000 (2010: £2,710,000) which is considered distributable. The special reserve has been treated as distributable in determining the amounts available for distribution.

The special reserve allows the Company, amongst other things, to facilitate the payment of dividends earlier than would otherwise have been possible as transfers can be made from this reserve to the realised capital reserve to offset gross losses on disposal of investments and transferred to the revenue reserve to cover dividend payments. Accordingly, a transfer of £158,000 representing the dividend paid has been transferred from the special reserve to the revenue reserve.

Cash flow statement

	Note	Combined Year ended 31 December 2011 £'000	Combined Year ended 31 December 2010 £'000
Operating activities			
Investment income received		**873**	706
Deposit interest received		**93**	136
Dividend income received		**19**	50
Other income received		**1**	–
Investment management fees paid		**(643)**	(600)
Other cash payments		**(224)**	(211)
Net cash flow from operating activities	18	**119**	81
Taxation			
UK corporation tax recovered		**125**	44
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(5,311)**	(3,188)
Disposal of fixed asset investments		**4,932**	3,590
Purchase of current asset investments		**(500)**	–
Net cash flow from investing activities		**(879)**	402
Equity dividends paid			
Dividends paid (net of cost of shares issued under the Dividend Reinvestment Scheme)		**(1,585)**	(2,265)
Net cash flow before financing		**(2,220)**	(1,738)
Financing			
Issue of share capital (net of costs)		**1,671**	4,792
Purchase of own shares	15	**(768)**	(446)
Costs of cancelling share premium account		**–**	(6)
Interclass payments		**–**	2
Net cash flow from financing		**903**	4,342
Cash flow in the year	17	**(1,317)**	2,604

Cash flow statement (non-statutory analysis)

	Note	Ordinary shares Year ended 31 December 2011 £'000	Ordinary shares Year ended 31 December 2010 £'000
Operating activities			
Investment income received		**755**	692
Deposit interest received		**55**	65
Dividend income received		**19**	50
Other income received		**1**	–
Investment management fees paid		**(511)**	(525)
Other cash payments		**(174)**	(181)
Net cash flow from operating activities	18	**145**	101
Taxation			
UK corporation tax recovered		**125**	44
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(3,131)**	(1,567)
Disposal of fixed asset investments		**4,906**	3,590
Net cash flow from investing activities		**1,775**	2,023
Equity dividends paid			
Dividends paid (net of cost of shares issued under Dividend Reinvestment Scheme)		**(1,441)**	(2,200)
Net cash flow before financing		**604**	(32)
Financing			
Issue of share capital (net of costs)		**1,671**	–
Purchase of own shares	15	**(768)**	(446)
Costs of cancelling share premium account		**–**	(6)
Interclass payments		**–**	2
Net cash flow from financing		**903**	(450)
Cash flow in the year	17	**1,507**	(482)

Cash flow statement (non-statutory analysis)

	Note	**D shares Year ended 31 December 2011 £'000**	D shares Year ended 31 December 2010 £'000
Operating activities			
Investment income received		**118**	14
Deposit interest received		**38**	71
Investment management fees paid		**(132)**	(75)
Other cash payments		**(50)**	(30)
Net cash flow from operating activities	18	**(26)**	(20)
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(2,180)**	(1,621)
Disposal of fixed asset investments		**26**	–
Purchase of current asset investments		**(500)**	–
Net cash flow from investing activities		**(2,654)**	(1,621)
Equity dividends paid			
Dividends paid (net of cost of shares issued under the Dividend Reinvestment Scheme)		**(144)**	(65)
Net cash flow before financing		**(2,824)**	(1,706)
Financing			
Issue of share capital (net of costs)		**–**	4,792
Net cash flow from financing		**–**	4,792
Cash flow in the year	17	**(2,824)**	3,086

Notes to the Financial Statements

1. Accounting convention

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 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. Accounting policies have been applied consistently in current and prior periods.

2. Accounting policies

Investments

Quoted and unquoted equity investments, debt issued at a discount, and convertible bonds

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", quoted and unquoted equity, debt issued at a discount and convertible bonds are designated as fair value through profit or loss ("FVTPL"). Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the September 2009 International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

Desk top reviews are carried out by independent RICS qualified surveyors by updating previously prepared full valuations for current trading and market indices. Formal valuations are prepared by similarly qualified surveyors but in compliance with the RICS Red Book.

Fair value movements and gains and losses arising on the disposal of investments are reflected in the capital column of the Income statement in accordance with the AIC SORP. Realised gains or losses on the sale of investments will be reflected in the realised capital reserve, and unrealised gains or losses arising from the revaluation of investments will be reflected in the unrealised capital reserve.

Warrants and unquoted equity derived instruments

Warrants and unquoted equity derived instruments are only valued if there is deemed to be additional value to the Company in exercising or converting as at the balance sheet date. Otherwise these instruments are held at nil value. The valuation techniques used are those used for the underlying equity investment.

Unquoted loan stock

Unquoted loan stock (excluding debt issued at a discount and convertible bonds) is classified as loans and receivables as permitted by FRS 26 and carried at amortised cost using the effective interest rate method less impairment. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income statement, and hence are reflected in the revenue reserve, and movements in respect of capital provisions are reflected in the capital column of the Income statement and are reflected in the realised capital reserve following sale, or in the unrealised capital reserve on revaluation.

For all unquoted loan stock, whether fully performing, renegotiated, past due or impaired, the Board considers that the fair value is equal to or greater than the security value of these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the effective interest rate. The future cash flows are estimated based on the fair value of the security less estimated selling costs.

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.

Current asset investments

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

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

Loan stock accrued interest is recognised in the Balance sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

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. of the equity are not regarded as associated undertakings.

Investment income

Quoted and unquoted 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 on a time apportionment basis using the effective interest rate over the life of the financial instrument. Income which is not capable of being received within a reasonable period of time is reflected in the capital value of the investment.

Bank interest income

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

Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the revenue column of the Income statement except the following which are charged through the realised capital reserve:

- 75 per cent. of management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and 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.

Notes to the Financial Statements (continued)

Performance incentive fee
In the event that a performance incentive fee crystallises, the fee will be allocated between revenue 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 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.

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

Reserves
Share premium reserve
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 the special reserve.

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

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

Special reserve
The cancellation of the share premium account has created a special reserve that can be used to fund market purchases and subsequent cancellation of own shares, the payment of dividends, to cover gross realised losses, and for other distributable purposes.

Treasury shares reserve
This reserve accounts for amounts by which the distributable reserves of the Company are diminished through the repurchase of the Company's own shares for treasury.

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.

D shares
Until such time that D shares are converted into Ordinary shares, all investments and returns attributable to this class of share will be separately identifiable from the existing Ordinary shares. All residual expenses will be allocated in the ratio of the respective Net Asset Values of each class of share.

Notes to the Financial Statements (continued)

3. Gains on investments

	Year ended 31 December 2011			Year ended 31 December 2010		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Unrealised gains/(losses) on fixed asset investments held at fair value through profit or loss account	**266**	**(272)**	**(6)**	338	–	338
Unrealised (impairments)/reversals of impairments on fixed asset investments held at amortised cost	**(291)**	**378**	**87**	261	20	281
Unrealised (losses)/gains sub total	**(25)**	**106**	**81**	599	20	619
Realised gains on investments held at fair value through profit or loss account	**224**	**–**	**224**	426	–	426
Realised gains/(losses) on investments held at amortised cost	**1,090**	**26**	**1,116**	(40)	–	(40)
Realised gains sub total	**1,314**	**26**	**1,340**	386	–	386
	1,289	**132**	**1,421**	985	20	1,005

Investments measured at amortised cost are unquoted loan stock investments as described in note 2.

4. Investment income

	Year ended 31 December 2011			Year ended 31 December 2010		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Income recognised on investments held at fair value through profit or loss						
Dividend income	**19**	**–**	**19**	27	–	27
Income from convertible bonds and discounted debt	**37**	**54**	**91**	15	–	15
	56	**54**	**110**	42	–	42
Income recognised on investments held at amortised cost						
Bank deposit interest	**71**	**56**	**127**	66	73	139
Return on loan stock investments	**700**	**101**	**801**	727	16	743
	771	**157**	**928**	793	89	882
	827	**211**	**1,038**	835	89	924

Interest income earned on impaired investments at 31 December 2011 amounted to £98,000 (2010: £74,000). These investments are all held at amortised cost.

Notes to the Financial Statements (continued)

5. Investment management fees

	Year ended 31 December 2011			Year ended 31 December 2010		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Investment management fee charged to revenue	**129**	**33**	**162**	125	27	152
Investment management fee charged to capital	**385**	**99**	**484**	376	81	457
	514	**132**	**646**	501	108	609

Further details of the Management agreement under which the investment management fee is paid are given in the Directors' report and enhanced business review on page 23.

6. Other expenses

	Year ended 31 December 2011			Year ended 31 December 2010		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Directors' fees (including VAT and NIC)	**69**	**19**	**88**	76	12	88
Other administrative expenses	**70**	**22**	**92**	87	29	116
Auditor's remuneration for statutory audit services (including VAT)	**20**	**7**	**27**	22	3	25
	159	**48**	**207**	185	44	229

7. Directors' fees

The amounts paid to Directors during the year are as follows:

	Year ended 31 December 2011			Year ended 31 December 2010		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Directors' fees	**64**	**18**	**82**	71	11	82
National insurance and/or VAT	**5**	**1**	**6**	5	1	6
	69	**19**	**88**	76	12	88

Further information can be found in the Directors' remuneration report on page 32.

Notes to the Financial Statements (continued)

8. Tax (charge)/credit on ordinary activities

The Company's combined tax charge of £26,000 (2010: credit of £32,000) is analysed between the two share classes as follows:

	Year ended 31 December 2011			Year ended 31 December 2010		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Ordinary shares	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
UK corporation tax in respect of current year	**(128)**	**100**	**(28)**	(123)	97	(26)
UK corporation tax in respect of prior years	**8**	**–**	**8**	45	–	45
	(120)	**100**	**(20)**	(78)	97	19

Factors affecting the tax charge:

Ordinary shares	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Profit on ordinary activities before taxation	**1,443**	1,134
Tax on profit at the standard rate for small companies	**(292)**	(238)
Factors affecting the charge:		
Non-taxable profits	**260**	206
Non-taxable income	**4**	6
Adjustment in respect of prior years	**8**	45
	(20)	19

	Year ended 31 December 2011			Year ended 31 December 2010		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
D shares	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
UK corporation tax in respect of current year	**(32)**	**26**	**(6)**	(4)	17	13

Factors affecting the tax charge:

D shares	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Profit on ordinary activities before taxation	**163**	(43)
Tax on profit at the standard rate for small companies	**(33)**	9
Factors affecting the charge:		
Non-taxable profits	**27**	4
	(6)	13

The UK government changed the rate of UK corporation tax from 21 per cent. to 20 per cent. with effect from 1 April 2011. The effective rate of tax for the year to 31 December 2011 is 20.25 per cent. (90 days at 21 per cent. and 275 days at 20 per cent.). The tax charge for the year shown in the Income statement is lower than the standard rate of corporation tax for small companies in the UK of 20 per cent. (2010: 21 per cent.). The differences are explained above.

Consortium relief is recognised in the accounts in the period in which the claim is submitted to HMRC and is shown as tax in respect of prior years.

Notes

(i) Venture Capital Trusts are not subject to corporation tax on capital gains.

(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate and allocating the relief between revenue and capital in accordance with the SORP.

(iii) No deferred tax asset or liability has arisen in the year.

Notes to the Financial Statements (continued)

9. Dividends

Ordinary shares	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Dividend of 4.0p per Ordinary share paid on 4 May 2010	**–**	1,191
Dividend of 4.0p per Ordinary share paid on 30 September 2010	**–**	1,164
Dividend of 2.5p per Ordinary share paid on 31 May 2011	**776**	–
Dividend of 2.5p per Ordinary share paid on 30 September 2011	**771**	–
	1,547	2,355

D shares	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Dividend of 1.0p per D share paid on 30 September 2010	**–**	65
Dividend of 1.25p per D share paid on 31 May 2011	**79**	–
Dividend of 1.25p per D share paid on 30 September 2011	**79**	–
	158	65

In addition to the dividends summarised above, the Board has declared a first dividend of 2.50 pence per Ordinary share and 1.75 pence per D share for the year ending 31 December 2012. This dividend will be paid on 31 May 2012 to shareholders on the register as at 4 May 2012. This dividend totals approximately £807,000 for Ordinary shares and £111,000 for D shares.

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

	Year ended 31 December 2011			Year ended 31 December 2010		
Ordinary shares	**Revenue**	**Capital**	**Total**	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return attributable to equity shares (£'000)	**419**	**1,004**	**1,423**	447	706	1,153
Weighted average shares in issue (excluding treasury shares)		**30,630,649**			29,450,610	
Return attributable per equity share (pence)	**1.40**	**3.30**	**4.70**	1.50	2.40	3.90

The weighted average number of Ordinary shares is calculated excluding the treasury shares of 3,467,396 (2010: 3,243,696).

	Year ended 31 December 2011			Year ended 31 December 2010		
D shares	**Revenue**	**Capital**	**Total**	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return/(loss) attributable to equity shares (£'000)	**98**	**59**	**157**	14	(44)	(30)
Weighted average shares in issue (excluding treasury shares)		**6,342,448**			5,193,933	
Return/(loss) attributable per equity share (pence)	**1.60**	**0.90**	**2.50**	0.30	(0.90)	(0.60)

There are no D shares held in treasury.

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

Notes to the Financial Statements (continued)

11. Fixed asset investments

The classification of investments by nature of instruments is as follows:

	Ordinary shares		D shares	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
	£'000	£'000	**£'000**	£'000
Unquoted equity	**5,774**	5,199	**1,053**	530
Quoted equity	**–**	241	–	–
Unquoted loan stock	**9,790**	11,476	**1,775**	1,212
Convertible and discounted bonds	**1,581**	937	**1,138**	44
Warrants	**2**	–	**–**	–
	17,147	17,853	**3,966**	1,786

	Ordinary shares £'000	D shares £'000	Combined £'000
Opening valuation as at 1 January 2011	**17,853**	**1,786**	**19,639**
Purchases at cost	6,478	2,037	8,515
Disposal proceeds	(8,205)	(26)	(8,231)
Realised gains	1,314	26	1,340
Movement in loan stock accrued income	(131)	37	(94)
Transfer of unrealised gains to current asset investments	(137)	–	(137)
Unrealised (losses)/gains	(25)	106	81
Closing valuation as at 31 December 2011	**17,147**	**3,966**	**21,113**
Movement in loan stock accrued income			
Opening accumulated movement in loan stock accrued income	**419**	**1**	**420**
Movement in loan stock accrued income	(131)	37	(94)
Closing accumulated movement in loan stock accrued income as at 31 December 2011	**288**	**38**	**326**
Movement in unrealised (losses)/gains			
Opening accumulated unrealised (losses)/gains	**(5,218)**	**20**	**(5,198)**
Transfer of previously unrealised losses on disposal	1,839	–	1,839
Transfer of unrealised gains to current asset investments	(137)	–	(137)
Movement in unrealised (losses)/gains	(25)	106	81
Closing accumulated unrealised (losses)/gains as at 31 December 2011	**(3,541)**	**126**	**(3,415)**
Historic cost basis			
Opening book cost	**22,652**	**1,765**	**24,417**
Purchases at cost	6,478	2,037	8,515
Sales at cost	(8,731)	–	(8,731)
Closing book cost as at 31 December 2011	**20,399**	**3,802**	**24,201**

The amounts shown for the purchase and disposal of fixed assets included in the cash flow statement differ from the amounts shown above, due to restructuring of investments and investment settlement debtors and creditors.

Ordinary shares' fixed asset investments held at fair value through the profit or loss account total £7,357,000 (2010: £6,377,000). Investments measured at amortised cost total £9,790,000 (2010: £11,476,000).

D shares' fixed asset investments held at fair value through the profit or loss account total £2,191,000 (2010: £574,000). Investments measured at amortised cost total £1,775,000 (2010: £1,212,000).

For both Ordinary and D shares, the Directors believe that the carrying value of loan stock measured at amortised cost is not materially different to fair value.

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

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

Investments held at fair value through profit or loss are valued in accordance with the IPEVCV guidelines as follows:

	31 December 2011			31 December 2010		
Valuation methodology	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Cost (reviewed for impairment)	**1,529**	**1,715**	**3,244**	603	521	1,124
Net asset value supported by third party valuation	**1,815**	**412**	**2,227**	943	53	996
Recent investment price (reviewed for impairment)	**448**	**–**	**448**	672	–	672
Earnings multiple	**2,188**	**64**	**2,252**	2,133	–	2,133
Revenue multiple	**1,377**	**–**	**1,377**	1,785	–	1,785
	7,357	**2,191**	**9,548**	6,136	574	6,710

The Ordinary shares' investments held at fair value through profit or loss had the following movements between valuation methodologies between 31 December 2010 and 31 December 2011:

Change in valuation methodology (2010 to 2011)	**Value as at 31 December 2011 £'000**	**Explanatory note**
Cost (reviewed for impairment) to earnings multiple	335	Earnings are now being generated
Cost (reviewed for impairment) to net asset value supported by third party valuation	331	Third party valuation has recently taken place
Earnings multiple to revenue multiple	127	Temporary trading losses
Net asset value supported by third party valuation to earnings multiple	136	Earnings are now being generated
Net asset value supported by third party valuation to recent investment price	93	More recent pricing information available
Price of recent investment to revenue multiple	1,105	Company performance can be measured against industry comparables
Revenue multiple to earnings multiple	168	Earnings are now being generated

The D shares' investments held at fair value through profit or loss had the following movements between valuation methodologies between 31 December 2010 and 31 December 2011:

Change in valuation methodology (2010 to 2011)	**Value as at 31 December 2011 £'000**	**Explanatory note**
Cost (reviewed for impairment) to net asset value supported by third party valuation	360	Third party valuation has recently taken place
Cost (reviewed for impairment) to earnings multiple	64	Earnings are now being generated

The valuation method used 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, there are no other possible methods of valuation which would be reasonable as at 31 December 2011.

The amended FRS 29 'Financial Instruments: Disclosures' requires the Company to disclose 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;

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

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

The Ordinary shares' investments valued at fair value through profit or loss account can be categorised in accordance with FRS 29 as follows:

	31 December 2011			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Quoted equity	**–**	**–**	**–**	**–**
Unquoted equity and warrants	**–**	**–**	**5,776**	**5,776**
Convertible and discounted bonds	**–**	**–**	**1,581**	**1,581**
	–	**–**	**7,357**	**7,357**

	31 December 2010			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equity	241	–	–	241
Unquoted equity	–	–	5,199	5,199
Convertible and discounted bonds	–	–	937	937
	241	–	6,136	6,377

All of the D shares' fixed asset investments as at 31 December 2011 valued at fair value through profit or loss are valued according to Level 3 methods (2010: Level 3).

The Ordinary and D shares' Level 3 investments had the following movements in the year to 31 December 2011:

	Ordinary shares £'000	**D shares £'000**	**Total £'000**
Opening balance	**6,136**	**574**	**6,710**
Additions	3,972	1,494	5,466
Disposals	(3,111)	–	(3,111)
Realised gains	222	–	222
Transfer to current asset investments	(137)	–	(137)
Unrealised gains	266	106	372
Accrued loan stock interest	9	17	26
Closing balance	**7,357**	**2,191**	**9,548**

The Ordinary and D shares' unquoted equity investments and convertible and discounted bonds valued at fair value through profit or loss (Level 3) had the following movements in the year to 31 December 2010:

	Ordinary shares £'000	D shares £'000	Total £'000
Opening balance	4,753	–	4,753
Additions	1,025	554	1,579
Disposals	(961)	–	(961)
Re-presentation of convertible bond	740	–	740
Unrealised gains	579	20	599
Closing balance	6,136	574	6,710

FRS 29 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. The valuation methodology applied to 52 per cent. of the Ordinary shares' and 97 per cent. of the D shares' unquoted equity investments and convertible and discounted bonds (by valuation) as at 31 December 2011 is based on third party independent evidence and recent investment price. The Directors believe that changes to reasonable possible alternative assumptions for the valuation of the portfolio could result in an increase in the valuation of investments of £296,000 or a decrease in investments of £408,000 for the Ordinary share portfolio.

Notes to the Financial Statements (continued)

12. Significant interests

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 take a controlling interest or become involved in the day-to-day management of a portfolio company. The size and structure of the 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 per cent. of the nominal value of any class of the allotted shares in the portfolio companies as at 31 December 2011, as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Evolutions Group Limited	Great Britain	Owner and lessor of property	46.7% A Ordinary	46.7%
The Q Garden Company Limited	Great Britain	Garden centre operator	33.2% A Ordinary 10.8% Ordinary	16.6%
Consolidated PR Limited	Great Britain	Public relations agency	50.0% A Ordinary	11.8%
Albion Investment Properties Limited	Great Britain	Owner of residential property	48.4% A Ordinary	48.4%
Blackbay Limited	Great Britain	Mobile data solutions	21.1% A Ordinary	7.4%
Masters Pharmaceuticals Limited	Great Britain	International specialist distributor of pharmaceuticals	21.1% A Ordinary	1.0%
Peakdale Molecular Limited	Great Britain	Researcher, processor and supplier of chemical compounds	23.0% Ordinary	8.9%

As permitted by FRS 9, the investments listed above are held as part of an investment portfolio, and their value to the Company is as part of a portfolio of investments. Therefore these investments are not considered to be associated undertakings.

13. Current assets

	31 December 2011			31 December 2010		
Trade debtors	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Prepayments and accrued income	**23**	**23**	**46**	9	5	14
UK corporation tax receivable	**–**	**7**	**7**	113	13	126
Other debtors	**78**	**–**	**78**	97	–	97
	101	**30**	**131**	219	18	237

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

	31 December 2011			31 December 2010		
Current asset investments	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Contingent future receipts on disposal of fixed asset investments	**137**	**–**	**137**	–	–	–
Close Brothers Bank Limited Fixed term deposit	**–**	**500**	**500**	–	–	–
	137	**500**	**637**	–	–	–

The fair value hierarchy applied to contingent future receipts on disposal of fixed asset investments is Level 3.

The only movements in current asset investments during the year were the recognition of contingent future receipts on disposal of fixed asset investments and the placing of the Close Brothers Bank Limited deposit.

Notes to the Financial Statements (continued)

14. Creditors: amounts falling due within one year

	31 December 2011 Ordinary shares £'000	**31 December 2011** D shares £'000	**31 December 2011** Total £'000	31 December 2010 Ordinary shares £'000	31 December 2010 D shares £'000	31 December 2010 Total £'000
Trade creditors	**–**	**–**	**–**	142	35	177
Accruals and deferred income	**179**	**46**	**225**	52	11	63
UK corporation tax payable	**30**	**–**	**30**	–	–	–
Other creditors	**5**	**2**	**7**	85	145	230
	214	**48**	**262**	279	191	470

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

15. Called up share capital

	31 December 2011 Ordinary shares	**31 December 2011** D shares	**31 December 2011** Total	31 December 2010 Ordinary shares	31 December 2010 D shares	31 December 2010 Total
Allotted, called up and fully paid shares of 50 pence each						
Number of shares	**33,823,795**	**6,352,652**	**40,176,447**	32,439,999	6,335,155	38,775,154
Nominal value of allotted shares (£'000)	**16,912**	**3,176**	**20,088**	16,220	3,168	19,388
Voting rights (net of treasury shares)	**30,356,399**	**6,352,652**	**36,709,051**	29,196,303	6,335,155	35,531,458

The Company purchased 723,700 Ordinary shares (2010: 441,970) to be held in treasury at a cost of £462,000 (2010: £289,000). The Company cancelled 500,000 Ordinary shares from treasury (2010: 242,000), and purchased 482,372 Ordinary shares (2010: 241,615) for cancellation at a cost of £306,000 (2010: £157,000).

The Company holds a total of 3,467,396 Ordinary shares in treasury, representing 10.3 per cent. of the issued share capital as at 31 December 2011. There are no D shares held in treasury. Since the year end, 39,396 Ordinary shares have been cancelled out of treasury to ensure that the holding of treasury shares does not exceed 10 per cent. of the issued Ordinary shares.

Under the terms of the Ordinary shares' Dividend Reinvestment Scheme, the following Ordinary shares of 50 pence nominal value were allotted during the year:

Date of allotment	**Number of shares allotted**	**Issue price (pence per share)**	**Aggregate nominal value of shares £'000**	**Consideration received (net of costs) £'000**	**Opening market price per share on allotment date (pence per share)**
31 May 2011	**78,843**	**72.90**	**39**	**51**	**65.50**
30 September 2011	**79,631**	**72.30**	**40**	**50**	**63.50**
	158,474		**79**	**101**	

Notes to the Financial Statements (continued)

15. Called up share capital (continued)

Under the Albion VCTs Linked Top Up Offer for Subscription for Ordinary shares launched on 1 November 2010, the following Ordinary shares of 50 pence nominal value were allotted;

Date of allotment	Number of shares allotted	Issue price (pence per share)	Aggregate nominal value of shares £'000	Consideration received (net of costs) £'000	Opening market price per share on allotment date (pence per share)
10 January 2011	**816,370**	**80.10**	**408**	**619**	**64.00**
23 March 2011	**811,163**	**80.10**	**406**	**614**	**60.50**
6 April 2011	**533,103**	**80.10**	**267**	**404**	**61.50**
17 May 2011	**47,058**	**77.10**	**23**	**34**	**65.50**
	2,207,694		**1,104**	**1,671**	

Under the terms of the D shares' Dividend Reinvestment Scheme, the following D shares of 50 pence nominal value were allotted during the year:

Date of allotment	Number of shares allotted	Issue price (pence per share)	Aggregate nominal value of shares £'000	Consideration received (net of costs) £'000	Opening market price per share on allotment date (pence per share)
31 May 2011	**8,551**	**91.75**	**4**	**6**	**94.00**
30 September 2011	**8,946**	**90.45**	**4**	**7**	**92.00**
	17,497		**8**	**13**	

16. Basic and diluted net asset values per share

	31 December 2011		31 December 2010	
	Ordinary shares (pence per share)	**D shares (pence per share)**	Ordinary shares (pence per share)	D shares (pence per share)
Basic and diluted net asset values per share	**75.5**	**93.0**	75.4	93.0

The basic and diluted net asset values per share at the year end are calculated in accordance with the Articles of Association and are based upon total shares in issue (less treasury shares) of 30,356,399 Ordinary shares (2010: 29,196,303) and 6,352,652 D shares (2010: 6,335,155) as at 31 December 2011.

17. Analysis of changes in cash during the year

	Year ended 31 December 2011			Year ended 31 December 210		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Opening cash balances	**4,227**	**4,285**	**8,512**	4,709	1,199	5,908
Net cash flow	**1,507**	**(2,824)**	**(1,317)**	(482)	3,086	2,604
Closing cash balances	**5,734**	**1,461**	**7,195**	4,227	4,285	8,512

Notes to the Financial Statements (continued)

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

	Year ended 31 December 2011			Year ended 31 December 2010		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Revenue return on ordinary activities before taxation	**539**	**130**	**669**	525	18	543
Investment management fee charged to capital	**(385)**	**(99)**	**(484)**	(376)	(81)	(457)
Movement in accrued amortised loan stock interest	**19**	**(37)**	**(18)**	(43)	(1)	(44)
(Increase)/decrease in debtors	**(15)**	**(18)**	**(33)**	26	(4)	22
(Decrease)/increase in creditors	**(13)**	**(2)**	**(15)**	(31)	48	17
Net cash flow from operating activities	**145**	**(26)**	**119**	101	(20)	81

19. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares and D shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 24 of the Directors' report and enhanced business review within this Annual Report and Financial Statements.

The Company's financial instruments comprise equity and loan stock investments in unquoted companies, cash balances and short term debtors and creditors which arise from its operations. The main purpose of these financial instruments is to generate cashflow and 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 risks arising from the Company's operations are:

- Investment (or market) risk (which comprises investment price 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 of its portfolio in unquoted investments, details of which are shown on pages 11 to 14 of the Annual Report and Financial Statements. 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 companies 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 reviews 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 prudent 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, for Ordinary shares is £17,147,000 (2010: £17,853,000) and for D shares £3,966,000 (2010: £1,786,000). Fixed asset investments form 75 per cent. of the Ordinary shares' and 67 per cent. of the D shares' net asset value as at 31 December 2011 (2010: 81 per cent. Ordinary shares; 30 per cent. D shares).

More details regarding the classification of fixed asset investments are shown in note 11.

Notes to the Financial Statements (continued)

19. 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. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately two-thirds of the unquoted 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. Details of the industries in which the top ten investments have been made are contained in the Portfolio companies section on page 15 and in the Manager's report.

The valuation method used will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV Guidelines.

As required under FRS 29 "Financial Instruments: Disclosures", the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed investment portfolio is sensitive to a 10 per cent. change based on the current economic climate. The impact of a 10 per cent. 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 per cent. (2010: 10 per cent.) 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 of Ordinary shares by £1,715,000 (2010: £1,785,000) and £397,000 (2010: £179,000) for the D shares.

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise or fall of 0.5 per cent. in all LIBOR and base rates would have reduced total return before tax for the year by approximately £23,000 for the Ordinary shares (2010: £22,000) and £19,000 for the D shares (2010: £24,000).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 6.7 per cent. for the Ordinary shares (2010: 4.5 per cent.) and 8.3 per cent. for the D shares (2010: 2.9 per cent.).

The weighted average period to maturity for the fixed rate assets is approximately 3.0 years (2010: 1.8 years) for Ordinary shares and 9.1 years for D shares (2010: 4.7 years).

The Company's financial assets and liabilities, all denominated in pounds sterling, consist of the following:

Ordinary shares

	31 December 2011				31 December 2010			
	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 and warrants	**–**	**–**	**5,776**	**5,776**	–	–	5,199	5,199
Quoted equity	**–**	**–**	**–**	**–**	–	–	241	241
Convertible and discounted bonds	**1,243**	**–**	**338**	**1,581**	936	–	–	936
Unquoted loan stock	**9,623**	**136**	**31**	**9,790**	11,366	111	–	11,477
Debtors*	**–**	**–**	**78**	**78**	–	–	219	219
Current asset investments	**–**	**–**	**137**	**137**	–	–	–	–
Current liabilities*	**–**	**–**	**(183)**	**(183)**	–	–	(279)	(279)
Cash	**3,686**	**2,048**	**–**	**5,734**	3,703	524	–	4,227
	14,552	**2,184**	**6,177**	**22,913**	16,005	635	5,380	22,020

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

D shares

	31 December 2011				31 December 2010			
	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	**–**	**–**	**1,053**	**1,053**	–	–	530	530
Convertible and discounted bonds	**1,138**	**–**	**–**	**1,138**	44	–	–	44
Unquoted loan stock	**–**	**–**	**1,775**	**1,775**	–	–	1,212	1,212
Debtors*	**–**	**–**	**–**	**–**	–	–	18	18
Current asset investments	**500**	**–**	**–**	**500**	–	–	–	–
Current liabilities*	**–**	**–**	**(47)**	**(47)**	–	–	(191)	(191)
Cash	**1,067**	**394**	**–**	**1,461**	4,050	235	–	4,285
	2,705	**394**	**2,781**	**5,880**	4,094	235	1,569	5,898

*The debtors and current liabilities do not reconcile to the balance sheets as prepayments and tax payable are not included in the above tables.

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. Typically loan stock instruments 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.

Bank deposits are held with banks which have a Moody's credit rating of at least 'A'. The Company has an informal policy of limiting counterparty banking exposure to a maximum of 20 per cent. of net asset value for any one counterparty.

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 for Ordinary shares at 31 December 2011 was limited to £11,371,000 (2010: £12,413,000) of unquoted loan stock instruments, £101,000 debtors (2010: £219,000) and £5,734,000 (2010: £4,227,000) cash deposits with banks.

The Company's total gross credit risk for D shares at 31 December 2011 was limited to £2,913,000 (2010: £1,256,000) unquoted loan stock instruments, £30,000 (2010: £18,000) debtors and £1,961,000 (2010: £4,285,000) of cash and fixed term deposits with banks.

As at the balance sheet date, the cash held by the Company is held with the Royal Bank of Scotland plc, Lloyds TSB Bank plc, Close Brothers Bank Limited, Scottish Widows Bank plc (part of Lloyds Banking Group Plc) and Standard Life Cash Savings (part of Barclays Bank plc). Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to regulatory supervision, with Moody's credit ratings of at least 'A' or equivalent as assigned by international credit-rating agencies.

The Ordinary shares' cost, impairment and carrying value of impaired loan stocks as at 31 December 2011 and 31 December 2010 are as follows:

	31 December 2011			31 December 2010		
Ordinary shares	**Cost £'000**	**Impairment £'000**	**Carrying value £'000**	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	**4,200**	**(1,711)**	**2,489**	7,133	(2,262)	4,871

There are no impaired loan stock instruments for D shares.

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

Impaired loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the portfolio company and the Board consider the security value approximates to the carrying value.

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited balance sheet, which amounts to £2,881,000 (2010: £2,791,000) as at 31 December 2011.

The Company had no committed borrowing facilities as at 31 December 2011 (2010: nil) and the Company had cash and fixed term deposit balances of £7,695,000 (2010: £8,512,000). The main cash outflows are for new investments, 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. All of the Company's financial liabilities are short term in nature and total £262,000 (2010: £470,000).

The carrying value of Ordinary shares' loan stock investments at 31 December 2011 as analysed by expected maturity dates is as follows:

Redemption date	**Fully performing £'000**	**Impaired £'000**	**Past due £'000**	**Total £'000**
Less than one year	**741**	**390**	**959**	**2,090**
1-2 years	**1,806**	**664**	**1,432**	**3,902**
2-3 years	**1,008**	**1,388**	**184**	**2,580**
3-5 years	**1,605**	**47**	**362**	**2,014**
Greater than 5 years	**667**	**–**	**118**	**785**
	5,827	**2,489**	**3,055**	**11,371**

The carrying value of Ordinary shares' loan stock investments at 31 December 2010 as analysed by expected maturity dates is as follows:

Redemption date	Fully performing £'000	Renegotiated £'000	Impaired £'00	Past due £'000	Total £'000
Less than one year	–	–	2,603	205	2,808
1-2 years	1,279	894	498	2,259	4,930
2-3 years	1,078	–	514	122	1,714
3-5 years	1,340	111	1,256	226	2,933
Greater than 5 years	28	–	–	–	28
	3,725	1,005	4,871	2,812	12,413

The carrying value of D shares' loan stock investments at 31 December 2011 as analysed by expected maturity dates is as follows:

Redemption date	**Fully performing £'000**	**Impaired £'00**	**Past due £'000**	**Total £'000**
Less than one year	**–**	**–**	**–**	**–**
1-2 years	**–**	**–**	**–**	**–**
2-3 years	**1,015**	**–**	**209**	**1,224**
3-5 years	**449**	**–**	**317**	**766**
Greater than 5 years	**608**	**–**	**315**	**923**
	2,072	**–**	**841**	**2,913**

All of the D shares' loan stock investments at 31 December 2010 were fully performing and were expected to mature over periods longer than 4 years.

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

Loan stock categorised as past due includes;

- loan stock valued at £742,000 yielding 7.5 per cent. which has interest past due by 1 month;
- loan stock valued at £1,213,000 yielding 5.3 per cent. which has interest past due by 1 month;
- loan stock valued at £298,000 yielding 10.0 per cent. which has interest past due by 2 months;
- loan stock valued at £443,000 yielding 14.6 per cent. which has interest past due by 3 months;
- loan stock valued at £433,000 yielding 9.5 per cent. which has interest past due by 4 months;
- loan stock valued at £446,000 yielding 2.5 per cent. which has interest past due by 9 months;
- loan stock valued at £104,000 yielding 0.0 per cent. which has interest past due by 12 months;
- loan stock valued at £217,000 yielding 16.8 per cent. which has capital past due by 6 years.

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

Fair values of financial assets and financial liabilities

All of the Company's financial assets and liabilities as at 31 December 2011 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, which are measured at amortised cost, in accordance with FRS 26. The Directors believe that the current carrying value of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. 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 from the fair value and all are payable within one year.

20. Contingencies and commitments

The Company had the following financial commitments in respect of investments:

- Helveta Limited, £97,000;
- Mi-Pay Limited, £55,000.

21. Post balance sheet events

Since the year end, the Company had the following material investment transactions:

- AMS Sciences Limited (formerly Xceleron Limited), £89,000;
- Orchard Portman Hospital Limited, £9,000;
- The Street by Street Solar Programme Limited, £500,000;
- Nelson House Hospital Limited, £478,000;
- Rostima Holdings Limited, 18,000;
- Process Systems Enterprise Limited, £23,000;
- Oxsensis Limited, £21,000;
- AVESI Limited, £220,000;
- Greenenerco Limited, £140,000;
- Alto Prodotto Wind Limited, £548,000;
- Regenerco Renewable Energy Limited, £195,000;
- Mi-Pay Limited, £55,000;
- Albion Small Company Growth Limited, £1,000,000; and
- Repayment of £35,000 loan stock by Hilson Moran Holdings Limited.

On 1 November 2011 the Company announced the launch of the Albion VCTs Linked Top Up Offer 2011/2012. In aggregate, the Albion VCTs will be aiming to raise approximately £15 million across seven of the VCTs managed by Albion Ventures LLP, of which Albion Development VCT PLC's share will be approximately £2.25 million. The maximum amount raised by each of the Albion VCTs will be 10 per cent. of its issued share capital (over any one 12 month period, and including any shares issued under Dividend Reinvestment Schemes), being the amount that they may issue under the Prospectus Rules without the publication of a full prospectus.

The proceeds of the Offer will be used to provide further resources to the Albion VCTs at a time when a number of attractive new investment opportunities are being seen. An Investor Guide and Offer document have been sent to shareholders.

Notes to the Financial Statements (continued)

The following Ordinary shares of nominal value 50 pence per share were allotted under the Offer after 31 December 2011:

Date of allotment	Issue price (pence per share)	Number of shares allotted	Aggregate nominal value of shares £'000	Net consideration received (net of costs) £'000	Opening market price per share on allotment date (pence per share)
10 January 2012	77.8	513,073	257	378	63.50
20 March 2012	77.8	556,839	278	410	61.50
5 April 2012	77.8	853,075	427	627	61.50
Total		1,922,987	962	1,415	

22. Related party transactions

The Manager, Albion Ventures LLP, is considered to be a related party under the Listing Rules by virtue of the fact that the Manager is party to a Management agreement from the Company (details disclosed on page 23 of this report). During the year, services of a total value of £646,000 (2010: £609,000) were purchased by the Company from Albion Ventures LLP in respect of management fees. At the financial year end, the amount due to Albion Ventures LLP disclosed as accruals (2010: trade creditors) was £162,000 (2010: £160,000).

During the year the Company raised new funds through the Albion VCTs Linked Top Up Offer 2010/2011 as detailed in note 15. The total cost of the issue of these shares was 5.5 per cent. of the sums subscribed. Of these costs, an amount of £3,450 was paid to the Manager, Albion Ventures LLP in respect of receiving agent services. There were no sums outstanding in respect of receiving agent services at the year end.

Albion Ventures LLP holds 331 fractional entitlement shares of the Company as a result of the conversion of C shares to Ordinary shares in March 2007. These shares will be sold for the benefit of the Company at a future date.

Albion Ventures LLP also holds 14,000 Ordinary shares as a result of the failure of an original subscriber to pay cleared funds on initial subscription.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Albion Development VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 15 June 2012 at 11.30am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 7 and number 9 will be proposed as ordinary resolutions and number 8 and numbers 10 to 14 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 December 2011 together with the report of the Directors and Auditor.
2. To approve the Directors' remuneration report for the year ended 31 December 2011.
3. To re-elect David Pinckney as a Director of the Company.
4. To re-elect Jonathan Thornton as a Director of the Company.
5. To re-appoint PKF (UK) 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. That the Company be authorised to send all documents, notices and information to shareholders by electronic means (as such term is defined in the Financial Services Authority's Disclosure and Transparency Rules) including by means of a website and in all electronic forms. Shareholders will be required to "opt in" to receive electronic communications.
8. That the Articles of Association of the Company be altered by deleting the present Article 3 setting out the authorised share capital of the Company in its entirety.
9. That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company up to an aggregate nominal amount of £1,691,189 (or £33,823 following the reduction in nominal value proposed by resolution 13) for Ordinary shares and £317,632 (or £6,352 following the reduction in nominal value proposed by resolution 14) for D shares, 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 such 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 this authority had not expired.
10. That, subject to and conditional on the passing of resolution number 9, 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 9 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 with any Dividend Reinvestment Scheme introduced and operated by the Company;

    (c) in connection with the Albion VCTs Linked Top Up Offer 2011/2012; and

    (d) otherwise than pursuant to paragraphs (a) to (c) above, up to an aggregate nominal amount of £1,691,189 (or £33,823 following the reduction in nominal value proposed by resolution 13) for Ordinary shares and £317,632 (or £6,352 following the reduction in nominal value proposed by resolution 14) for D shares.

    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, 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.

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

This power applies in relation to a sale of 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 "subject to, and conditional on the passing of resolution number 9" were omitted.

11. That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares and D shares of 50 pence each (or 1 penny per share following the cancellation of share capital as proposed in resolutions 13 and 14) in the capital of the Company, 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 number of shares hereby authorised to be purchased is 5,070,186 Ordinary shares and 952,262 D shares, equal to 14.99 per cent. of the shares in issue;

    (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share or a D share is 50 pence (or 1 penny, following the cancellation of share capital as proposed in resolutions 13 and 14;

    (c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary or D share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for an Ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary 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 or varied, expire at the end of the next Annual General Meeting, or 15 December 2013, whichever is earlier; and

    (e) the Company may make a contract or contracts to purchase Ordinary or D 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.

    Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), Ordinary and D shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 11 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

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

13. That:

    (a) the share capital of the Company be reduced by cancelling and extinguishing 49 pence of the amount paid up or credited as paid up on each of the Ordinary shares of 50 pence each in the capital of the Company which are in issue at 6.00pm on the day before the date of the final hearing of the Company's application to reduce its share capital and cancel its capital redemption reserve and share premium account (the "Final Hearing");

    (b) the amount standing to the credit of the capital redemption reserve and share premium account attributable to the Ordinary shares at 6.00pm on the day before the Final Hearing be and is hereby cancelled.

14. That:

    (a) the share capital of the Company be reduced by cancelling and extinguishing 49 pence of the amount paid up or credited as paid up on each of the D shares of 50 pence each in the capital of the Company;

    (b) the amount standing to the credit of the capital redemption reserve and share premium account attributable to the D shares at 6.00pm on the day before the Final Hearing be and is hereby cancelled.

BY ORDER OF THE BOARD

Albion Ventures LLP
Company Secretary
Registered office
1 King's Arms Yard
London EC2R 7AF
11 April 2012

Registered in England and Wales with number 3654040

Notice of Annual General Meeting (continued)

Notes

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

   - completing and returning the Form of Proxy enclosed with this Notice to Computershare Investor Services PLC, The Pavilion, Bridgwater Road, Bristol, BS99 6ZZ;
   - going to www.computershare.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 11.30am on 13 June 2012.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 ('the Act') to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 11.30am on 13 June 2012 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 11.30am 13 June 2012. 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 providers 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, 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 providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

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

6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion-ventures.co.uk, Our Funds, Albion Development VCT PLC.

7. 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.

Notice of Annual General Meeting (continued)

8. As at 10 April 2012 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 35,707,386 Ordinary shares and 6,352,652 D shares. The Company holds 3,428,000 Ordinary shares in treasury. At that date, the total voting rights of the Ordinary share class were 32,279,386 for D shares were 6,352,652. The total voting rights for the Company were 38,632,038.

9. Members satisfying the thresholds in Section 338 of the Companies At 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous of vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person (s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

10. Members satisfying the thresholds in Section 388A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.

    A matter may properly be included in the business at he AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

Notice of General Meeting of holders of Ordinary shares

NOTICE IS HEREBY GIVEN that the general meeting of the holders of Ordinary shares in Albion Development VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 15 June 2012 at 11.45am, following the Annual General Meeting for the following purposes:

To consider and, if thought fit, to pass the following resolution, which will be proposed as a special resolution.

Special Business

1. That the holders of the Ordinary shares hereby approve the proposed cancellation and extinguishment of 49 pence of the amount paid up or credited as paid up on each Ordinary share of 50 pence in the capital of the Company and the cancellation of the amount standing to the credit of the capital redemption reserve and share premium account attributable to the Ordinary shares, both pursuant to a special resolution to be proposed at the Annual General Meeting of the Company and further consent to any modification, abrogation or variation of the rights attaching to the said Ordinary shares thereby involved.

BY ORDER OF THE BOARD

Albion Ventures LLP
Company Secretary
Registered office
1 King's Arms Yard,
London EC2R 7AF
11 April 2012

Registered in England and Wales with number 3654040

Notice of General Meeting of holders of Ordinary shares
(continued)

Notes

1. Members entitled to attend, speak and vote at the General Meeting ("GM") 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 Pavilion, Bridgwater Road, Bristol, BS99 6ZZ;
   - going to www.computershare.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 11.45am on 13 June 2012.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 ('the Act') to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the GM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the GM (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 11.45am on 13 June 2012 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this GM 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 11.45am on 13 June 2012. 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 providers 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, 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 providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

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

6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion-ventures.co.uk, Our Funds, Albion Development VCT PLC.

7. 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.

Notice of General Meeting of holders of Ordinary shares
(continued)

8. As at 10 April 2012 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 35,707,386 Ordinary shares and 6,352,652 D shares. The Company holds 3,428,000 Ordinary shares in treasury. At that date, the total voting rights of the Ordinary share class were 32,279,386 for D shares were 6,352,652. The total voting rights for the Company were 38,632,038.

9. Members satisfying the thresholds in Section 338 of the Companies At 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous of vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person (s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

10. Members satisfying the thresholds in Section 388A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.

    A matter may properly be included in the business at he AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

Notice of General Meeting of holders of D shares

NOTICE IS HEREBY GIVEN that the general meeting of the holders of D shares in Albion Development VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 15 June 2012 at 11.50am, following the General Meeting for Ordinary shares for the following purposes:

To consider and, if thought fit, to pass the following resolution, which will be proposed as a special resolution.

Special Business

1. That the holders of the D shares hereby approve the proposed cancellation and extinguishment of 49 pence of the amount paid up or credited as paid up on each D share of 50 pence in the capital of the Company and the cancellation of the amount standing to the credit of the capital redemption reserve and share premium account attributable to the D shares, both pursuant to a special resolution to be proposed at the Annual General Meeting of the Company and further consent to any modification, abrogation or variation of the rights attaching to the said D shares thereby involved.

BY ORDER OF THE BOARD

Albion Ventures LLP
Company Secretary
Registered office
1 King's Arms Yard,
London EC2R 7AF
11 April 2012

Registered in England and Wales with number 3654040

Notice of General Meeting of holders of D shares (continued)

Notes

1. Members entitled to attend, speak and vote at the General Meeting ("GM") 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 Pavilion, Bridgwater Road, Bristol, BS99 6ZZ;
   - going to www.computershare.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 11.50am on 13 June 2012.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 ('the Act') to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the GM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the GM (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 11.50am on 13 June 2012 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this GM 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 11.50am on 13 June 2012. 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 providers 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, 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 providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

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

6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion-ventures.co.uk, Our Funds, Albion Development VCT PLC.

7. 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.

Notice of General Meeting of holders of D shares (continued)

8. As at 10 April 2012 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 35,707,386 Ordinary shares and 6,352,652 D shares. The Company holds 3,428,000 Ordinary shares in treasury. At that date, the total voting rights of the Ordinary share class were 32,279,386 for D shares were 6,352,652. The total voting rights for the Company were 38,632,038.

9. Members satisfying the thresholds in Section 338 of the Companies At 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous of vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person (s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

10. Members satisfying the thresholds in Section 388A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.

    A matter may properly be included in the business at he AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

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