

Annual Report and Financial
Statements for the year
ended 31 December 2016

Albion Development VCT PLC



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Company information

Company number	03654040
Directors	G O Vero FCA, Chairman B Larkin P H Reeve MA ACA J G T Thornton MA MBA FCA
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	Philip Hare & Associates LLP 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP

Albion Development VCT PLC is a member of The Association of Investment Companies (www.theaic.co.uk).

Shareholder enquiries For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:
Tel: 0370 873 5853 (UK national rate call, lines are open 8.30am – 5.30pm;
Mon – Fri, calls may be recorded)
Website: www.investorcentre.co.uk

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

Financial adviser enquiries For enquiries relating to the performance of the Company and information for financial advisers 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

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

Investment objective and policy

Albion Development VCT PLC's (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 more stable, often asset-backed investments that provide a strong income stream. These include asset-based businesses in the leisure, healthcare, education and renewable energy sectors, as well as stable and profitable businesses in other sectors. Such investments will constitute the majority of investments by cost.
- In neither category do portfolio companies normally have any external borrowings with a prior charge ranking ahead of the Company.
- Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the portfolio company's assets.

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

Background to the Company

The Company is a venture capital trust which raised a total of £33.3 million through the 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. The D shares converted to Ordinary shares on 31 March 2015 on the basis of their respective audited net asset value per share at 31 December 2014, in line with the original prospectus. Accordingly, D shareholders received 1.4975 Ordinary shares for each D share they owned.

An additional £23.7 million has been raised for the Ordinary shares through the Albion VCTs Top Up Offers since January 2011. The funds raised have been invested in accordance with the Company's existing investment policy.

Financial calendar

Record date for first dividend	5 May 2017
Annual General Meeting	12pm on 25 May 2017
Payment of first dividend	31 May 2017
Announcement of half-yearly results for the six months ending 30 June 2017	August 2017
Payment of second dividend (subject to Board approval)	29 September 2017

Financial highlights

158.5p	Total shareholder return per Ordinary share from launch to 31 December 2016.
6.6%	Total return on opening net asset value for the year ended 31 December 2016.
4.0p	Target tax free dividend per Ordinary share for the year ahead (5.0p paid per Ordinary share during the year ended 31 December 2016).
70.7p	Net asset value per Ordinary share as at 31 December 2016.

Source: Albion Ventures LLP

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

Financial highlights (continued)

Ordinary shares	31 December 2016 pence per share	31 December 2015 pence per share
Dividends paid	5.0	5.0
Revenue return	0.9	1.5
Capital return	3.8	1.6
Net asset value	70.7	71.1

Total shareholder return to 31 December 2016:			
	Ordinary shares (pence per share) ⁽ⁱ⁾	C shares (pence per share) ^{(ii)(iv)}	D shares (pence per share) ^{(iii)(v)}
Total dividends paid during the year ended:			
31 December 1999 ⁽ⁱ⁾	1.0	–	–
31 December 2000	2.9	–	–
31 December 2001	3.9	–	–
31 December 2002	4.2	–	–
31 December 2003 ⁽ⁱⁱⁱ⁾	4.5	0.7	–
31 December 2004	4.0	2.0	–
31 December 2005	5.2	5.9	–
31 December 2006	3.0	4.5	–
31 December 2007 ^(iv)	5.0	5.3	–
31 December 2008	12.0	12.8	–
31 December 2009	4.0	4.3	–
31 December 2010	8.0	8.6	1.0
31 December 2011	5.0	5.4	2.5
31 December 2012	5.0	5.4	3.5
31 December 2013	5.0	5.4	5.0
31 December 2014	5.0	5.4	5.0
31 December 2015 ^(v)	5.0	5.4	7.5
31 December 2016	5.0	5.4	7.5
Total dividends paid to 31 December 2016	87.8	76.5	32.0
Net asset value as at 31 December 2016	70.7	75.8	105.9
Total shareholder return to 31 December 2016	158.5	152.3	137.9

In line with the annual dividend target of 4.0 pence per share, the Board has declared a first dividend for the year ending 31 December 2017 of 2.0 pence per Ordinary share payable on 31 May 2017 to shareholders on the register on 5 May 2017.

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 ratio 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.
- (v) The D shares were converted into Ordinary shares on 31 March 2015, with a conversion ratio of 1.4975 Ordinary shares for each D share. The net asset value per share and all dividends paid subsequent to the conversion of the D shares to the Ordinary shares are multiplied by the conversion factor of 1.4975 in respect of the D shares return, in order to give an accurate picture of the shareholder value since launch relating to the D shares.

Chairman's statement

Introduction

The results for Albion Development VCT PLC for the year to 31 December 2016 showed total return of 4.7 pence per Ordinary share, compared to 3.1 pence per Ordinary share for 2015, with a number of important changes taking place within the portfolio.

Investment performance and progress

The results for the year recorded net gains on investments of £2.9 million, against £1.4 million for the previous year. The key elements within this included the successful sale of Exco InTouch, the digital health business, which was sold for around three times original cost. Following the year end, we also sold AMS Sciences and exchanged contracts for the sale of Blackbay, both at valuations above the previous holding value and also our holding in Masters Pharmaceuticals. In addition, strong trading at Radnor House (Sevenoaks) led to a material revaluation of that school, while Proveca, which develops paediatric drugs, gained its first regulatory approval. Egress was also written up following continued strong growth. Against this, slow progress at Abcodia and Cisiv both led to write-downs.

In addition to Exco InTouch, the assets held by The Charnwood Pub Company and Q Gardens were also disposed of during the year. Meanwhile, £1.3 million was invested in five new portfolio companies, including Black Swan Data (predictive analytics services), Secured by Design (an international automotive consultancy) and Convertr Media (digital marketing software). A further £1.4 million was invested in existing portfolio companies, including £464,000 into Proveca, to bring its newly approved drug, Sialanar, to market.

Overall, 61 per cent. of the portfolio by value is now profitable, measured by earnings before interest and tax, with a number of our investments showing strong growth in fast-developing international markets.

For a review of business and future prospects please see the Strategic report on page 9.

Risks and uncertainties

Other than investment performance, the key risks facing the Company are from the broader economy. Despite some continued growth in the UK, the outlook for the domestic economy following the decision to leave the EU and an uncertain global situation, continue to be the key risks affecting your Company. The Manager is clear in focussing efforts to allocate resources to those sectors and opportunities where growth can be both resilient and sustainable. Importantly, however, investment risk is mitigated through a variety of processes including our policy of ensuring that the Company has a first charge over portfolio companies' assets wherever possible. We can never guarantee that future investments will avoid the failings of some of the previous investments but the rebalancing of the portfolio has resulted in a spread of investments that is carefully balanced between stability and growth.

A detailed analysis of the other risks and uncertainties facing the business is shown in the Strategic report on pages 12 and 13.

Board composition

Andy Phillipps retired from the Board on 17 March 2017 after nine years with the Company. I would like to thank him for his excellent work, and many years of wise counsel and service. Ben Larkin was appointed as a Director on 5 December 2016. Ben has extensive experience in corporate restructuring, turnaround, and insolvency, with particular experience in real estate restructurings, and is currently a partner at Jones Day.

Share buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in existing and new portfolio companies and for the continued payment of dividends to shareholders, including in considering the proposed change to investment policy for non-qualifying investments. Therefore, the Board's policy is to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

During the year, the Company purchased 1,299,000 Ordinary shares to be held in treasury at a cost of £864,000 (2015: £649,000), representing 2.2 per cent. of the opening shares in issue.

Transactions with the Manager

Details of transactions that took place with the Manager during the year can be found in note 5 and principally relate to the management fee.

Dividends and results

It was announced on 3 November 2016 that the Company's dividend target is changing. The Company paid dividends totalling 5.0 pence per share during the financial year in line with the Company's policy, which it has maintained for the last six years. For much of the period, however, the dividend has not been fully covered by total returns, resulting in a gradual decline in NAV per share over the years. In an economic environment of persistently low interest rates, the Board considers a recalibration of the annual dividend target to 4.0 pence per share to be more appropriate, representing a dividend yield on current NAV of 5.7 per cent. This target will apply from 2017. A first dividend of 2.0 pence per share will be paid on 31 May 2017 to shareholders on the register on 5 May 2017.

As at 31 December 2016, the net asset value was 70.7 pence per share compared to 71.1 pence at 31 December 2015. The total return after tax was £2.9 million compared to £1.6 million in the year to 31 December 2015.

Chairman's statement (continued)

Albion VCTs Prospectus Top Up Offers

In November 2016, the Company announced the launch of the Albion VCTs Prospectus Top Up Offers 2016/2017. In aggregate, the Albion VCTs raised £34 million across six of the VCTs managed by Albion Ventures LLP, with the Company raising £4 million. The Offers have now closed.

The funds raised by each Company pursuant to its Offer has been added to the liquid resources available for investment so as to put each Company into a position to take advantage of attractive investment opportunities over the next two to three years. Accordingly, the proceeds of the Offers are being applied in accordance with the respective Companies' investment policies. The Company continues to participate in the Top Up Offers and also benefits from receipts from dividend reinvestment, the net proceeds of which are invested in new investment opportunities and to provide additional working capital in the Company.

Outlook and prospects

There has been considerable progress within the portfolio since the start of 2016, and it now seems well balanced for the future. The combination of steady cash generation seen in the asset-based sectors of renewable energy, leisure and education, combined with measured and incremental investment in the growth sectors that the Manager knows well, such as medical technology and specific areas within IT such as cyber security, gives us confidence in the direction of the Company and the returns to shareholders.



Geoffrey Vero
Chairman
23 March 2017

Strategic report

Investment objective and 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 manage and mitigate 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 more stable, often asset-backed investments that provide a strong income stream. These include asset-based businesses in the leisure, healthcare, education and renewable energy sectors, as well as stable and profitable businesses in other sectors. Such investments will constitute the majority of investments by cost.
- In neither category do portfolio companies normally have any external borrowings with a prior charge ranking ahead of the Company.
- Up to two-thirds of qualifying investments by cost 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 high credit ratings assigned by international credit rating agencies.

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

Current portfolio sector allocation

As mentioned above, it is intended that the Company's investment portfolio will be split between higher risk companies with greater growth prospects, balanced by investment in more stable companies, which are often asset-backed, that provide a strong income stream combined with a protection of capital. The following pie chart shows the split of the portfolio valuation by industrial or commercial sector as at 31 December 2016. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 16 to 18.

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

Direction of portfolio

The sector analysis of the Company's investment portfolio shows that healthcare now accounts for 15 per cent. compared to 18 per cent. in the previous financial year as a result of the disposal of the investment in Exco InTouch. IT and software now accounts for 17 per cent. of the portfolio compared to 16 per cent. previously following the investment deployed into Secured By Design.

The current portfolio is well balanced in terms of sectors, with renewable energy at 21 per cent., education accounting for 12 per cent., and leisure at 6 per cent. Cash balances have increased to 23 per cent. of the portfolio and it is anticipated that investments will be deployed into a number of new asset-based areas and the IT segment of the portfolio.

Results and dividend policy

	Ordinary shares £'000
Net revenue return for the year	549
Net capital gain for the year	<u>2,313</u>
Total return for the year ended 31 December 2016	2,862
Dividend of 2.5 pence per share paid on 31 May 2016	(1,572)
Dividend of 2.5 pence per share paid on 30 September 2016	<u>(1,564)</u>
Transferred from reserves	<u>(274)</u>
Net assets as at 31 December 2016	<u>44,085</u>
Net asset value per share as at 31 December 2016 (pence)	<u>70.7</u>

Strategic report (continued)

The Company paid dividends totalling 5.0 pence per Ordinary share (2015: 5.0 pence per Ordinary share).

As described in the Chairman's statement, the Board has declared a first dividend for the year ending 31 December 2017 of 2.0 pence per Ordinary share payable on 31 May 2017 to shareholders on the register on 5 May 2017.

As shown in the Income statement on page 37, the total investment income decreased to £1,114,000 (2015: £1,335,000). This is in part due to the disposal of income producing investments in the prior year as well as capitalising interest on a number of companies in order to fund further acquisitions. As a result, the revenue return to equity holders has decreased to £549,000 (2015: £769,000).

The total capital return for the year was £2,313,000 (2015: £850,000). This is mainly attributable to the successful sale of Exco InTouch, where a gain on opening value of £1.3 million was realised and unrealised revaluation movements in the Company's investment portfolio, in particular, increases in Radnor House School (Holdings), Proveca and Egress Software Technologies, outweighing reductions in Abcodia and Cisiv.

The total return was 4.7 pence per share (2015: 3.1 pence per share). The Balance sheet on page 38 shows that the net asset value has decreased slightly over the last year to 70.7 pence per share (2015: 71.1 pence per share). The decrease in net asset value can be attributed to the payment of 5.0 pence per Ordinary share of dividends offset by the total return for the year.

The cash flow was positive for the year mainly as a result of the disposal of investments and the issue of Ordinary shares, offset by a number of new investments made and dividends paid during the year.

Review of business and future changes

The results for the year to 31 December 2016 show total shareholder return of 158.5 pence per Ordinary share since launch (2015: 153.9 pence per share). We believe there should be further progress in the current year, with selected disposals and new investments, and focus on our core area of IT/Software alongside new asset-based areas.

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.

A detailed review of the Company's business during the year is contained in the Chairman's statement on pages 6 and 7.

Details of significant events which have occurred since the end of the financial year are listed in note 19. Details of transactions with the Manager are shown in note 5.

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on page 22.

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

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

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

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 December 2016. These showed that the Company has complied with all tests and continues to do so.

Future prospects

The key drivers for returns within the portfolio are those sectors that are involved in longer-term global trends. These include the importance of healthcare in an ageing population, sustainable energy against a background of climate change, education amid the need to improve the national skills base and the developing use of information technology in an environment of universal information. The portfolio is well positioned to take advantage of these changes, with a longer term aim of total return exceeding dividends.

Strategic report (continued)

Key performance indicators

The Directors believe that the following key performance indicators, which are typical for venture capital trusts, used in its own assessment of the Company, will provide shareholders with sufficient information to assess how effectively the Company is applying its investment policy to meet its objectives. The Directors are satisfied that the results shown in the following key performance indicators give a good indication that the Company is achieving its investment objective and policy. These are:

2. *Net asset value per share and total shareholder return*

1. *Total shareholder return relative to FTSE All-Share Index total return*

The graph on page 4 shows the total shareholder 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 in the Chairman's statement.

*Total shareholder return is net asset value plus cumulative dividends paid since launch to 31 December 2016.

Total return to shareholders increased by 3.0 per cent. to 158.5 pence per Ordinary share for the year ended 31 December 2016 as a result of the positive total return of 4.7 pence per share.

3. *Dividend distributions*

Strategic report (continued)

Dividends paid in respect of the year ended 31 December 2016 were 5.0 pence per share (2015: 5.0 pence per share). Cumulative dividends paid since inception are 87.8 pence per share. The dividend target for the 2017 financial year is 4.0 pence per share as outlined in the Chairman's statement.

4. Ongoing charges

The ongoing charges ratio for the year to 31 December 2016 was 2.7 per cent. (2015: 2.8 per cent.). The ongoing charges ratio has been calculated using The Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the next year to remain broadly at this current level.

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. The Directors do not currently have any intention to utilise long term gearing.

Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Conduct Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company.

Management agreement

Under the 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 3.0 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 and also monitoring fees where the Manager has a representative on the portfolio company's board.

Management performance incentive

The management performance incentive structure sets a minimum target level whereby no performance fee is payable to the Manager until the total return exceeds 6.5 pence per share per annum from a base on 1 January 2007 of 98.7 pence for the Ordinary shares and 100 pence for the D shares from 6 April 2010. If the target return is not achieved in a period, the cumulative shortfall is carried forward to the next accounting period and has to be made up before an incentive fee becomes payable. To the extent that the total return exceeds the threshold

over the relevant period, a performance fee will be paid to the Manager of an amount equal to 20 per cent. of the excess.

As at 31 December 2016, the total return since 1 January 2007 for Ordinary Shares was 129.7 pence and the total return since 6 April 2010 for the former D Shares was 137.9 pence, and the hurdle was 163.7 pence for Ordinary Shares and 143.8 pence for the former D Shares.

Any performance fee payable will be calculated based on the above hurdles, escalating at 6.5p per annum, and in respect of the relevant proportion of that share class' share of the Company's net assets as at 31 December 2014.

There was no management performance incentive fee payable during the year (2015: nil).

Investment and co-investment

The Company co-invests with other Albion Ventures LLP managed venture capital trusts and funds. Allocation of investments is on the basis of an allocation agreement which is based, inter alia, on the ratio of funds available for investment.

Evaluation of the Manager

The Board has evaluated the 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 the current portfolio of investments, a review of the Management agreement and the services provided therein, and benchmarking the performance of the Manager to other service providers. The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Alternative Investment Fund Managers Directive ("AIFMD")

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

Social and community issues, employees and human rights

The Board recognises the requirement under section 414C of the Act to detail information about social and community issues, employees and human rights; including any policies it has in relation to these matters and effectiveness of these policies. As an externally managed investment company with no employees, the Company has no policies in these matters and as such these requirements do not apply.

Further policies

The Company has adopted a number of further policies relating to:

- Environment
- Global greenhouse gas emissions
- Anti-bribery
- Diversity

and these are set out in the Directors' report on pages 22 and 23.

Strategic report (continued)

Share buy-back policy

It remains the Board's primary objective to maintain sufficient resources for investment in existing and new portfolio companies and for the continued payment of dividends to shareholders. The Board's policy is to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest.

It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

Further details of shares bought back during the year ended 31 December 2016 can be found in note 15 of the Financial Statements.

Risk management

The Board carries out a regular review of the risk environment in which the Company operates. The principal risks and uncertainties of the Company as identified by the Board and how they are managed are as follows:

Risk	Possible consequence	Risk management
Investment and performance risk	<p>The risk of investment in poor quality assets, which could reduce the capital and income returns to shareholders, and could negatively impact on the Company's current and future valuations.</p> <p>By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.</p>	To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.
VCT approval risk	The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns. Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.	To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare & Associates LLP as its taxation adviser, who report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a new portfolio company is also pre-cleared with H.M. Revenue & Customs.
Regulatory and compliance risk	The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.	Board members and the Manager have experience of operating at senior levels within or advising quoted companies. In addition, the Board and the Manager receive regular updates on new regulation from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's Compliance Officer. The Manager reports monthly to its Board on any issues arising from compliance or regulation. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's Compliance Officer. The report on controls is also evaluated by the internal auditors.

Strategic report (continued)

Economic and political risk	Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and other factors could substantially and adversely affect the Company's prospects in a number of ways.	The Company invests in a diversified portfolio of companies across a number of industry sectors and in addition often invests a mixture of equity and secured loan stock in portfolio companies and has a policy of not normally permitting any external bank borrowings within portfolio companies. At any given time, the Company has sufficient cash resources to meet its operating requirements, including share buy-backs and follow on investments.
Market value of Ordinary shares	The market value of Ordinary shares can fluctuate. The market value of an Ordinary share, as well as being affected by its net asset value and prospective net asset value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary share may vary considerably from its underlying net asset value. The market prices of shares in quoted investment companies can, therefore, be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment and other factors. Accordingly the market price of the Ordinary shares may not fully reflect their underlying net asset value.	The Company operates a share buy-back policy, which is designed to limit the discount at which the Ordinary shares trade to around 5 per cent. to net asset value, by providing a purchaser through the Company in absence of market purchasers. From time to time buy-backs cannot be applied, for example when the Company is subject to a close period, or if it were to exhaust its buy-back authorities, which are renewed each year. New Ordinary shares are issued at sufficient premium to net asset value to cover the costs of issue and to avoid asset value dilution to existing investors.

Viability statement

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

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

The Board assessed the ability of the Company to raise finance and deploy capital. The portfolio is well balanced and geared towards long term growth delivering dividends and capital growth to shareholders. In assessing the prospects of the

Company, the Directors have considered the cash flow by looking at the Company's income and expenditure projections and funding pipeline over the assessment period of three years and they appear realistic.

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

This Strategic report of the Company for the year ended 31 December 2016 has been prepared in accordance with the requirements of section 414A of the Companies Act 2006 (the "Act"). The purpose of this report is to provide shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

On behalf of the Board,



Geoffrey Vero
Chairman
23 March 2017

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 Chairman of EPE Special Opportunities PLC and a non-executive director of Numis Corporation PLC, where he chairs the Audit and Risk Committee.

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 (now CBPE Capital), 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 an external member of the Manager's investment committee.

Ben Larkin, (appointed 5 December 2016), is a partner at the international law firm, Jones Day. Ben heads up the business reorganisation practice across Europe. Ben has spent the majority of his career advising public and private boards on aspects of corporate governance and has particular expertise in the infrastructure and real estate sectors. Recent mandates include Airwave (the mobile communication network for the UK's emergency services) and National Car Parks. Prior to joining Jones Day, Ben led the BRR division of Berwin Leighton Paisner LLP for 14 years.

Patrick Reeve, MA, ACA (appointed 12 November 2013), qualified as a chartered accountant before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group in 1989, working in both the development capital and corporate finance divisions before establishing Albion Ventures (formerly Close Ventures Limited) in 1996. He is the managing partner of Albion Ventures and is a director of Albion Enterprise VCT PLC and Albion Technology & General VCT PLC, both managed by Albion Ventures. He is also chief executive of Albion Community Power PLC, a member of the Audit Committee of the University College London, a director of The Association of Investment Companies, chairman of OLIM Investment Managers, and is on the Council of the BVCA.

All Directors, except for Patrick Reeve, are members of the Audit Committee and Jonathan Thornton is Chairman.

All Directors, except for Patrick Reeve, are members of the Nomination Committee and Geoffrey Vero is Chairman.

All Directors, except for Patrick Reeve, are members of the Remuneration Committee and Jonathan Thornton is Chairman.

The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Conduct Authority and is the Manager of Albion Development VCT PLC. In addition, it manages a further five venture capital trusts, the UCL Technology Fund and provides administration services to Albion Community Power PLC and Albion Care Communities Limited. Albion, when combined with its subsidiary OLIM Investment Managers, has total assets under management or administration of approximately £950 million.

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

Patrick Reeve MA, ACA, details included in the Board of Directors section.

Will Fraser-Allen, BA (Hons), FCA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 and then joined their corporate finance team providing corporate finance advice to small and medium sized businesses. He joined Albion Ventures in 2001 since when he has focused on leisure and healthcare investing. Will became deputy managing partner of Albion Ventures in 2009. Will has a BA in History from Southampton University.

Dr Andrew Elder, MA, FRCS, initially practised as a surgeon for six years, specialising in neurosurgery, before joining the Boston Consulting Group (BCG) as a consultant in 2001. Whilst at BCG he specialised in healthcare strategy, gaining experience with many large, global clients across the full spectrum of healthcare including biotechnology, pharmaceuticals, service and care providers, software and telecommunications. He joined Albion Ventures in 2005 and became a partner in 2009. He has an MA plus Bachelors of Medicine and Surgery from Cambridge University and is a fellow of the Royal College of Surgeons (England).

Emil Gigov, BA (Hons), FCA, graduated from the European Business School, London, with a BA (Hons) Degree in European Business Administration in 1994. He then joined KPMG in their financial services division and qualified as a chartered accountant in 1997. Following this he transferred to KPMG Corporate Finance where he specialised in the leisure, media and marketing services sectors acting on acquisitions, disposals and fundraising mandates. He joined Albion Ventures in 2000 and has since made and exited investments in a number of industry sectors, including, healthcare, education, technology, leisure and engineering. Emil became a partner in Albion Ventures in 2009.

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

2005 and became partner in 2009. He is also managing director of Albion Community Power PLC. David has a BSc in Economics from Warwick University.

Vikash Hansrani, BA (Hons), ACA, qualified as a chartered accountant with RSM Tenon plc and latterly worked in its corporate finance team. He joined Albion Ventures in 2010, where he is currently Finance Director. He is also Finance Director of Albion Community Power PLC and OLIM Investment Managers. He has a BA in Accountancy and Finance from Nottingham Business School.

Ed Lascelles, BA (Hons), began by advising quoted UK companies on IPOs, takeovers and other corporate transactions, first with Charterhouse Securities and then ING Barings. Companies ranged in value from £10 million to £1 billion, across the healthcare and technology sectors among others. After moving to Albion Ventures in 2004, Ed started investing in the technology, healthcare, financial and business services sectors. Ed became a partner in 2009 and is responsible for a number of Albion's technology investments. He graduated from University College London with a first class degree in Philosophy.

Dr Christoph Ruedig, MBA, initially practised as a radiologist before spending 3 years at Bain & Company. In 2006 he joined 3i plc working for their healthcare venture capital arm leading investments in biotechnology, pharmaceuticals, and medical technology. 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 joined Albion Ventures in October 2011 and became a partner in 2014. He holds a degree in medicine from Ludwig-Maximilians University, Munich and an MBA from INSEAD.

Henry Stanford, MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group in 1992, becoming an assistant director in 1996. He moved to Albion Ventures in 1998, where he has been responsible for much of the asset based portfolio. Henry became a partner of Albion Ventures in 2009. He holds an MA degree in Classics from Oxford University.

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

Portfolio of investments

The following is a summary of investments as at 31 December 2016:

			As at 31 December 2016			As at 31 December 2015			Change in value for the year** £'000
			% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	
Asset-backed investments									
Radnor House School (Holdings) Limited	8.8	50.0	2,860	2,533	5,393	2,948	1,811	4,759	721
Chonais River Hydro Limited	4.6	50.0	1,705	357	2,062	1,705	358	2,063	(1)
The Street by Street Solar Programme Limited	12.4	50.0	1,291	630	1,921	1,291	555	1,846	75
Regenerco Renewable Energy Limited	11.9	50.0	1,204	456	1,660	1,204	361	1,565	95
Alto Prodotto Wind Limited	9.4	50.0	840	450	1,290	842	399	1,241	52
Earnside Energy Limited	6.8	50.0	1,089	183	1,272	941	118	1,059	64
Bravo Inns II Limited	6.7	50.0	1,080	129	1,209	1,080	28	1,108	101
Albion Investment Properties Limited	68.2	100.0	929	(91)	838	929	(119)	810	28
The Weybridge Club Limited†	9.4	50.0	701	(226)	475	1,581	(981)	600	(145)
The Q Garden Company Limited†	16.6	50.0	466	-	466	713	(238)	475	(9)
AVESI Limited	10.5	50.0	340	111	451	341	92	433	20
Dragon Hydro Limited	5.5	30.0	233	119	352	233	110	343	9
The Charnwood Pub Company Limited†	3.3	50.0	231	-	231	305	(70)	235	(3)
Greenenerco Limited	4.0	50.0	140	78	218	140	74	214	5
Bravo Inns Limited	2.6	50.0	267	(83)	184	267	(84)	183	1
Premier Leisure (Suffolk) Limited	6.2	47.4	109	22	131	109	(4)	105	26
Erin Solar Limited	4.3	50.0	120	(3)	117	120	(3)	117	-
Infinite Ventures (Goathill) Limited	0.8	31.0	32	4	36	32	-	32	4
Total asset-backed investments			13,637	4,669	18,306	14,781	2,407	17,188	1,043

Portfolio of investments (continued)

			As at 31 December 2016*			As at 31 December 2015			Change in value for the year** £'000
			% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	
Growth investments	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Proveca Limited	12.8	54.1	1,084	1,202	2,286	620	172	792	1,029
Egress Software Technologies Limited	6.1	22.0	610	1,146	1,756	610	284	894	862
Mirada Medical Limited	7.8	45.0	606	499	1,105	500	480	980	19
Hilson Moran Holdings Limited	8.0	34.7	231	854	1,085	292	784	1,076	92
Blackbay Limited	7.4	34.9	836	170	1,006	836	262	1,098	(92)
Grapeshot Limited	3.8	13.9	676	239	915	559	86	645	153
Relayware Limited	3.0	11.6	895	(2)	893	1,151	13	1,164	(16)
MyMeds&Me Limited	7.0	29.9	546	259	805	546	303	849	(44)
OmPrompt Holdings Limited	5.1	19.7	650	27	677	650	15	665	12
Aridhia Informatics Limited	6.0	22.3	963	(315)	648	894	(267)	627	(47)
Convertr Media Limited	6.3	27.0	583	-	583	-	-	-	-
Masters Pharmaceuticals Limited	4.2	19.7	316	203	519	316	316	632	(113)
Process Systems Enterprise Limited	1.4	20.7	131	282	413	131	214	345	68
DySIS Medical Limited	2.9	20.7	803	(441)	362	624	(236)	388	(204)
Secured by Design Limited	2.2	10.0	330	1	331	-	-	-	1
Cisiv Limited	7.3	28.9	566	(276)	290	446	110	556	(387)
Abcodia Limited	4.7	19.5	604	(345)	259	471	109	580	(454)
Black Swan Data Limited	0.7	2.9	215	-	215	-	-	-	-
memsstar Limited	2.8	44.7	124	41	165	123	46	169	(3)
Oviva AG	2.1	9.1	159	1	160	-	-	-	1
AMS Sciences Limited	4.2	49.6	222	(64)	158	222	(107)	115	43
Sandcroft Avenue Limited	1.7	5.6	150	(20)	130	150	14	164	(34)
Dickson Financial Services Limited	8.4	30.0	84	31	115	84	-	84	31
Panaseer Limited	2.2	7.8	110	-	110	110	-	110	-
Oxsensis Limited	1.4	20.6	224	(125)	99	224	(125)	99	-
InCrowd Sports Limited	1.6	6.8	72	-	72	-	-	-	-
CSS Group Limited	2.7	15.0	33	(2)	31	33	(6)	27	4
Elements Software Limited	0.6	4.5	3	(3)	-	3	-	3	(3)
Total growth investments			11,826	3,362	15,188	9,595	2,467	12,062	918
Total unquoted fixed asset investments			25,463	8,031	33,494	24,376	4,874	29,250	1,961

Portfolio of investments (continued)

	As at 31 December 2016			As at 31 December 2015			Change in value for the year** £'000
	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	
Quoted investments							
Mi-Pay Group PLC	823	(528)	295	823	(439)	384	(88)
ComOps Limited	11	(2)	9	11	(1)	10	(1)
Total quoted investments	834	(530)	304	834	(440)	394	(89)

Total fixed asset investments	26,297	7,501	33,798	25,210	4,434	29,644	1,872
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Total change in value of investments for the year	1,872
Movement in accrued loan stock interest	(182)
Unrealised gains sub-total	1,690
Realised gain in current year	1,221
Total gains on investments as per Income statement	2,911

* Albion Ventures LLP

** As adjusted for additions and disposals during the year; including realised gains/(losses).

† The accounting cost as shown above is after deducting realised losses of £74,000 for The Charnwood Pub Company Limited, £247,000 for The Q Garden Company Limited and £900,000 for The Weybridge Club Limited, which are still held at the Balance sheet date.

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

Fixed asset investment realisations in the year to 31 December 2016	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Exco InTouch Limited	1,015	1,571	2,870	1,855	1,299
Silent Herdsman Holdings Limited	389	350	371	(18)	21
Relayware Limited	256	256	256	-	-
Radnor House School (Holdings) Limited (loan stock repayment)	88	88	88	-	-
Hilson Moran Holdings Limited (loan stock repayment)	61	82	82	21	-
Alto Prodotto Wind Limited (loan stock repayment)	2	3	3	1	-
AVESI Limited (loan stock repayment)	1	1	1	-	-
The Street by Street Solar Programme Limited (loan stock repayment)	1	1	1	-	-
The Charnwood Pub Company Limited*	74	-	-	(74)	-
Escrow adjustments**	-	-	(99)	(99)	(99)
The Q Garden Company Limited*	247	-	-	(247)	-
The Weybridge Club Limited*	900	-	-	(900)	-
Total realisations	3,033	2,352	3,574	541	1,221

* The accounting cost as shown above represents realised losses on investments still held at the Balance sheet date.

** These comprise fair value movements on deferred consideration on previously disposed investments.

Portfolio companies

The top ten investments by value are as follows:

Radnor House School (Holdings) Limited			
Radnor House is a group of co-educational independent day schools with sites in South West London and Sevenoaks in Kent. The group provides personalised education to students aged 5-18 and has the capacity to accommodate some 1,000 children.			
Audited results			
year to 31 August 2016			
	£'000	Investment information	£'000
Turnover	9,821	Income recognised in the year	251
EBITDA	1,010	Total cost	2,860
Loss before tax	(1,160)	Total valuation	5,393
Net assets	25,337	Voting rights	8.8 per cent.
Basis of valuation:	Valuation supported by third party valuation	Voting rights for all AVL managed companies	50.0 per cent.
Website: www.radnorhouse.org			

Proveca Limited			
Proveca is a specialist UK pharmaceutical company developing and commercialising off-patent medicines to improve the lives of children in Europe.			
Abbreviated audited results			
year to 31 July 2016			
	£'000	Investment information	£'000
Net liabilities	(2,379)	Income recognised in the year	21
Basis of valuation:	Price of recent investment	Total cost	1,084
		Total valuation	2,286
		Voting rights	12.8 per cent.
		Voting rights for all AVL managed companies	54.1 per cent.
Website: www.proveca.co.uk			

Chonais River Hydro Limited			
A company that has developed a 2 megawatt hydroelectricity plant near Loch Carron in Scotland.			
Audited results			
year to 30 September 2016			
	£'000	Investment information	£'000
Turnover	-	Income recognised in the year	158
EBITDA	(11)	Total cost	1,705
Loss before tax	(12)	Total valuation	2,062
Net liabilities	(47)	Voting rights	4.6 per cent.
Basis of valuation:	Valuation supported by third party valuation	Voting rights for all AVL managed companies	50.0 per cent.

The Street by Street Solar Programme Limited			
The company installs, owns and operates domestic photovoltaic systems on homes in England.			
Abbreviated audited results			
year to 30 November 2015			
	£'000	Investment information	£'000
Net assets	171	Income recognised in the year	58
Basis of valuation:	Valuation supported by third party valuation	Total cost	1,291
		Total valuation	1,921
		Voting rights	12.4 per cent.
		Voting rights for all AVL managed companies	50.0 per cent.
Website: www.engensa.com			

Egress Software Technologies Limited			
The company is a provider of data security services designed to protect shared information throughout its lifecycle.			
Audited results			
year to 31 December 2015			
	£'000	Investment information	£'000
Turnover	4,330	Income recognised in the year	-
EBITDA	(631)	Total cost	610
Profit before tax	(682)	Total valuation	1,756
Net liabilities	(739)	Voting rights	6.1 per cent.
Basis of valuation:	Revenue multiple	Voting rights for all AVL managed companies	22.0 per cent.
Website: www.egress.com			

Portfolio companies (continued)

Regenerco Renewable Energy Limited

The Company installs, owns and operates a portfolio of photovoltaic systems on small and medium enterprises and social housing with a total capacity above 2.3MW.

		Abbreviated audited results			£'000
		year to 31 December 2015			£'000
		£'000	Investment information		£'000
Net assets		220	Income recognised in the year		44
Basis of valuation:	Valuation supported by third party valuation		Total cost		1,204
			Total valuation		1,660
			Voting rights		11.9 per cent.
			Voting rights for all AVL managed companies		50.0 per cent.

Website: www.regenerco.co.uk

Alto Prodotto Wind Limited

The company builds, owns and operates medium scale (100kWp to 1500kWp) wind projects in the UK.

		Abbreviated audited results			£'000
		year to 31 March 2016			£'000
		£'000	Investment information		£'000
Net assets		1,520	Income recognised in the year		111
Basis of valuation:	Valuation supported by third party valuation		Total cost		840
			Total valuation		1,290
			Voting rights		9.4 per cent.
			Voting rights for all AVL managed companies		50.0 per cent.

Website: www.infinite-energy.org.uk

Earnside Energy Limited

The company operates an anaerobic digestion and composting plant near Perth, Scotland.

		Audited results			£'000
		year to 31 December 2015			£'000
		£'000	Investment information		£'000
Turnover		2,090	Income recognised in the year		106
EBITDA		1,490	Total cost		1,089
Profit before tax		743	Total valuation		1,272
Net assets		565	Voting rights		6.8 per cent.
Basis of valuation:	Valuation supported by third party valuation		Voting rights for all AVL managed companies		50.0 per cent.

Bravo Inns II Limited

The company owns and operates a number of freehold pubs in the North of England.

		Abbreviated audited results			£'000
		year to 31 March 2016			£'000
		£'000	Investment information		£'000
Net assets		4,181	Income recognised in the year		62
Basis of valuation:	Valuation supported by third party valuation		Total cost		1,080
			Total valuation		1,209
			Voting rights		6.7 per cent.
			Voting rights for all AVL managed companies		50.0 per cent.

Website: www.bravoinsns.com

Mirada Medical Limited

The company has developed software that allows images from multiple sources to be combined to provide greater clinical certainty in diagnosis and treatment of cancer.

		Audited results			£'000
		year to 31 December 2015			£'000
		£'000	Investment information		£'000
Turnover		3,455	Income recognised in the year		26
EBITDA		(249)	Total cost		606
Loss before tax		(383)	Total valuation		1,105
Net liabilities		(1,123)	Voting rights		7.8 per cent.
Basis of valuation:	Revenue multiple		Voting rights for all AVL managed companies		45.0 per cent.

Website: www.mirada-medical.com

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

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 2016.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ("HMRC") as a venture capital trust in accordance with 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 2016 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 premium listed on the official list of the London Stock Exchange.

Under current tax legislation, shares in the Company provide tax-free capital growth and income distribution, in addition to the income tax relief some investors would have obtained when they invested in the original share offers.

Capital structure

Details of the 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. The Ordinary 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.

All Ordinary shares (except for treasury shares which have no right to dividend and no voting rights) rank *pari passu* for dividends and voting rights. Each Ordinary share is entitled to one vote. The Directors are not aware of any restrictions on the transfer of shares or on voting rights.

Shareholders are entitled to receive dividends and are entitled to the return on capital on winding up or other return on capital based on the surpluses attributable to the shares.

Issue and buy-back of Ordinary shares

During the year the Company issued a total of 8,170,039 Ordinary shares (2015: 8,024,356 Ordinary shares) under the Albion VCTs Top Up Offers and 747,892 Ordinary shares (2015: 540,757 Ordinary shares) under the Company's Dividend Reinvestment Scheme. Further information on the share capital is detailed in note 15.

The Company is currently engaged in the Albion VCTs Prospectus Top Up Offers 2016/2017, and as announced on 30 January 2017, the Company reached its £4 million limit under the offer and is now closed.

The Company operates a policy of buying-back shares either for cancellation or for holding in treasury. Details regarding the current buy-back policy can be found on page 6 of the Chairman's statement.

Substantial interests and shareholder profile

As at 31 December 2016 and at the date of this report, the Company was not aware of any shareholder who had a beneficial interest exceeding 3 per cent. of voting rights. There have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 December 2016, and up to the date of this report.

Future developments of the business

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

Results and dividends

Detailed information on the results and dividends for the year ended 31 December 2016 can be found in the Strategic report on pages 8 to 9.

Going concern

In accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014, the Board has assessed the Company's operation as a going concern. The Company has significant cash and liquid resources, its 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 considered it appropriate to adopt the going concern basis of accounting.

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 17. The Company's business activities, together with details of its performance are shown in the Strategic report and this Directors' report.

Post balance sheet events

Details of events that have occurred since 31 December 2016 are shown in note 19.

Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 12 to 13 of the Strategic report.

Directors' report (continued)

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007 as follows:

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
- (3) At least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 the figure is 70 per cent.;
- (4) At the time of investment, or addition to an investment, the Company's holdings in any one company (other than another VCT) must not have exceeded 15 per cent. by HMRC value of its investments;
- (5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (6) The Company's shares, throughout the year, must have been listed on a regulated European market;
- (7) An investment in any company must not cause that company to receive more than £5 million in State aid risk finance in the 12 months up to the date of the investment, nor more than £12 million in total (£20 million for a "knowledge intensive" company);
- (8) The Company must not invest in a company whose trade is more than seven years old (ten years for a "knowledge intensive" company) unless the company previously received State aid risk finance in its first seven years, or a turnover test is satisfied;
- (9) The Company's investment in another company must not be used to acquire another business, or shares in another company; and
- (10) The Company may only make qualifying investments or certain non-qualifying investments permitted by section 274 of the Income Tax Act 2007.

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

'Qualifying holdings' include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the pie chart on page 8.

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

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

Environment

The management and administration of the Company is undertaken by the Manager. Albion Ventures LLP recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption as is shown in the financial statements of Albion Ventures LLP.

Global greenhouse gas emissions

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) regulations 2013, including those within our underlying investment portfolio.

Anti-bribery policy

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

Albion Ventures LLP reviews the anti-bribery policies and procedures of all portfolio companies.

Diversity

The Board currently consists of four male directors. The Board's policy on the recruitment of new Directors is to attract a range of backgrounds, skills and experience and to ensure that appointments are made on the grounds of merit against clear and objective criteria and bear in mind gender and other diversity within the Board.

More details on the Directors can be found in the Board of Directors section on page 14.

Directors' report (continued)

The Manager has an equal opportunities policy and currently employees 13 men and 11 women.

Employees

The Company is managed by Albion Ventures LLP and hence has no employees. The Board consists solely of non-executive Directors.

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 32.

All Directors, except Patrick Reeve, are members of the Audit Committee of which Jonathan Thornton is Chairman.

Patrick Reeve, as managing partner of Albion Ventures LLP, is deemed to have an interest in the Management agreement and Management performance incentive to which the Company is party.

Directors' indemnity

Each Director has entered into a Deed of Indemnity with the Company which indemnifies each Director, subject to the provisions of the Companies Act 2006 and the limitations set out in each deed, against any liability arising out of any claim made against him in relation to the performance of his duties as a Director of the Company. A copy of each Deed of Indemnity entered into by the Company for each Director is available at the registered office of the Company.

Advising ordinary retail investors

The Company currently conducts its affairs so that its shares can be recommended by financial intermediaries to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The FCA's restrictions which apply to non-mainstream investment products do not apply to the Company's shares because they are shares in a VCT which, for the purposes of the rules relating to non-mainstream investment products, are excluded securities and may be promoted to ordinary retail investors without restriction.

Re-election and election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code. At the forthcoming Annual General Meeting, Geoffrey Vero and Jonathan Thornton, having served as Directors for longer than nine years, will retire and offer themselves for re-election. Patrick Reeve is not considered to be independent, as he is the managing partner of the Manager, Albion Ventures LLP, and will therefore also retire and offer himself for re-election at the forthcoming Annual General Meeting. As Ben Larkin has been appointed since the last Annual General Meeting, he will resign and be subject to election at the forthcoming Annual General Meeting. Andy Phillippis retired as a Director on 17 March 2017.

Auditor

The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services. A resolution to re-appoint BDO LLP will be put to the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London, EC2N 1DS at 12:00pm on 25 May 2017. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against', and 'withheld'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution. A summary of proxies lodged at the Annual General Meeting will be published at www.albion-ventures.co.uk/funds/AADV under the 'Financial Reports and Circulars' section.

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

Authority to allot shares

Ordinary resolution number 10 will request the authority to allot up to an aggregate nominal amount of £148,517 representing approximately 20 per cent. of the issued Ordinary share capital as at the date of this report.

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

The Directors current intention is to allot shares under any Albion VCTs Share Offers and the Dividend Reinvestment Schemes. The Company currently holds 6,556,700 Ordinary shares in treasury representing 9.5 per cent. of the Ordinary share capital in issue as at 31 December 2016.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2016. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Disapplication of pre-emption rights

Special resolution number 11 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 aggregate of £148,517 of the nominal value of the share capital representing approximately 20 per cent. of the

Directors' report (continued)

issued Ordinary 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 2016. 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 12 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 12. Shares bought back under this authority may be cancelled or 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 2016 authority, which was on similar terms. During the financial year under review, the Company purchased 1,299,000 Ordinary shares for treasury, at an aggregate consideration of £864,000 representing 1.9 per cent. of called up share capital. No Ordinary shares were purchased for cancellation.

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.

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 13 will request the authority to permit Directors to sell treasury shares at the higher of the prevailing share price and the price bought in at.

Recommendation

The Board believes that the passing of the resolutions above is in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of these resolutions, as the Directors intend to do in respect of their own shareholdings.

Disclosure of information to 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
23 March 2017.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Company's Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK GAAP subject to any material departures disclosed and explained in the Financial Statements; and
- prepare a Directors' report, a Strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Website publication


The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's webpage on the Manager's website (www.albion-ventures.co.uk/funds/AADV) in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance of the Company's webpage is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

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

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with UK GAAP and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board


Geoffrey Vero
Chairman
23 March 2017

Statement of corporate governance

Background

The Financial Conduct Authority requires all companies listed on a regulated market to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council ("FRC") in September 2014.

The Board 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 the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders than reporting under the Code alone.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the 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.

Geoffrey Vero is the Chairman of the Company, and he, Ben Larkin and Jonathan Thornton are considered independent Directors. Jonathan Thornton is the Senior Independent Director. Patrick Reeve is not an independent Director as he is Managing Partner of Albion Ventures LLP, the Manager.

Geoffrey Vero 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 have a policy of limiting the tenure of any Director as the Board does not consider that a Director's length of service reduces his ability to act independently of the Manager. Patrick Reeve is also subject to annual re-election as he is not considered to be an independent Director. As Ben Larkin has been appointed since the last Annual General Meeting, he will resign and be subject to election at the forthcoming Annual General Meeting. Andy Phillipps retired as a Director on 17 March 2017.

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 14. 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 Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to experience and balance of skills. Further details on the recruitment of new directors can be found in the Nomination Committee section on pages 28 and 29.

The Board met four times during 2016 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, except Ben Larkin who joined the Board on 5 December 2016. A sub-committee comprising at least two Directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the various Albion VCTs Top Up Offers. A sub-committee comprising at least two Directors also met during the year to approve the terms and contents of the Offer documents under the Albion VCTs Prospectus Top Up Offers 2016/2017.

The Chairman ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers, with ad hoc reports and information 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 appointment, evaluation, removal and remuneration of the Manager;
- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy and corporate events that arise;

Statement of corporate governance (continued)

- application of the principles of the UK Corporate Governance Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of the Auditor;
- evaluation of non-audit services provided by the external Auditor;
- approval of the appropriate dividend to be paid to shareholders;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price;
- share buy-back and treasury share policy; and
- monitoring shareholder profile and considering shareholder communications.

It is the responsibility of the Board to present an Annual Report and Financial Statements that is fair, balanced and understandable, which provides the information necessary for shareholders to assess the position, performance, strategy and business model of the Company.

Committees' and Directors' performance evaluation

Performance of the Board and the Directors is assessed on the following bases:

- 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 Senior Independent Director reviews the Chairman's annual performance evaluation.

The evaluation process has identified that the Board works well together and has the right balance of skills, experience, independence and knowledge of the Company amongst the Directors. Diversity within the Board is achieved through the appointment of directors with different backgrounds and skills.

Directors are offered training, both at the time of joining the Board and on other occasions where required. The Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

In light of the structured performance evaluation, Jonathan Thornton, Patrick Reeve and Geoffrey Vero, all of whom are subject to re-election at the forthcoming Annual General Meeting, and Ben Larkin who is subject to election at the forthcoming Annual General Meeting are considered to be effective Directors and demonstrate strong commitment to the role; on this basis, the Board believes it to be in the best interests of the Company to appoint these Directors at the forthcoming Annual General Meeting.

Remuneration Committee

The Remuneration Committee consists of all Directors except Patrick Reeve, with Jonathan Thornton as Chairman. The Committee held one formal meeting during the year, which was fully attended by all the members of the Committee, except Ben Larkin who joined the Board on 5 December 2016.

The terms of reference for the Remuneration Committee can be found on the Company's webpage on the Manager's website at www.albion-ventures.co.uk/funds/AADV under the Corporate Governance section.

Audit Committee

The Audit Committee consists of all Directors, except Patrick Reeve, and Jonathan Thornton is Chairman. 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 2016; all members attended, except Ben Larkin who joined on 5 December 2016.

Written terms of reference have been constituted for the Audit Committee and can be found on the Company's webpage on the Manager's website at www.albion-ventures.co.uk/funds/AADV under the Corporate Governance section.

During the year under review, the Committee discharged its responsibilities including:

- formally reviewing the Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements which the Company will continue to publish and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the external Auditor and reviewing their findings;
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board;
- highlighting the key risks and specific issues relating to the Financial Statements including the reasonableness of valuations, compliance with accounting standards and UK law, corporate governance and listing and disclosure rules as well as going concern. These issues were addressed through detailed review, discussion and challenge by the Board of these matters, as well as by reference to underlying technical information;
- advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's

Statement of corporate governance (continued)

position, performance, business model and strategy; and

- reporting to the Board on how it has discharged its responsibilities.

Financial Statements

The Audit Committee has initial responsibility for reviewing the Financial Statements and reporting on any significant issues that arise in relation to the audit of the Financial Statements as outlined below. The Audit Committee considered whether these issues were properly considered at the planning stage of the audit and the issues were discussed with the external Auditor prior to the completion of the audit of the Financial Statements. No major conflicts arose between the Audit Committee and the external Auditor in respect of their work during the period.

The key accounting and reporting issues considered by the Committee were:

The valuation of the Company's investments

Valuations of investments are prepared by the Manager. The Audit Committee reviewed the estimates and judgements made in relation to these investments and were satisfied that they were appropriate. The Audit Committee also discussed the controls in place over the valuation of investments. The Committee recommended investment valuations to the Board for approval.

Revenue recognition

The revenue generated from loan stock interest and dividend income has been considered by the Audit Committee as part of its review of the Financial Statements as well as a quarterly review of the management accounts prepared by the Manager. The Audit Committee has considered the controls in place over revenue recognition to ensure that amounts received are in line with expectation and budget.

Following detailed reviews of the Annual Report and Financial Statements and consideration of the key areas of risk identified, the Board as a whole have concluded that the Financial Statements are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Relationship with the external Auditor

The 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.

As part of its work, the Audit Committee has undertaken a formal evaluation of the external Auditor against the following criteria;

- Qualification
- Expertise
- Resources
- Effectiveness
- Independence
- Leadership

In order to form a view of the effectiveness of the external audit process, the Committee took into account information from the Manager regarding the audit process, the formal documentation issued to the Audit Committee and the Board by the external Auditor regarding the external audit for the year ended 31 December 2016, and assessments made by individual Directors.

The core legislation mandates that the maximum period for which a firm can be appointed auditor of a public interest entity is 10 years. Member states can choose to make this period shorter, or they can choose to allow extensions: to 20 years if a competitive tender is held at the 10 year point, or to 24 years in the case of a joint audit appointment. Transition arrangements vary depending on the length of time auditors have been incumbent. BDO first acted as auditors for the year ended 31 December 2008 and therefore the last year BDO can act as auditor before a mandatory tender process is required is 31 December 2018. 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.

The Audit Committee also has an annual meeting with the external Auditor, without the Manager present, at which pertinent questions are asked to help the Audit Committee determine if the Auditor's skills match all the relevant and appropriate criteria.

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

Nomination Committee

The Nomination Committee consists of all Directors, apart from Patrick Reeve, with Geoffrey Vero as Chairman.

The Board's policy on the recruitment of new Directors is to attract a range of backgrounds, skills and experience and to ensure that appointments are made on the grounds of merit against clear and objective criteria and bear in mind gender and other diversity within the Board.

Statement of corporate governance (continued)

The Nomination Committee met during the year, and following a detailed interview and referencing process, the Nomination Committee recommended the appointment of Ben Larkin as a Director.

Terms of reference for the Nomination Committee can be found on the Company's webpage on the Manager's website at www.albion-ventures.co.uk/funds/AADV under the Corporate Governance section.

Internal control

In accordance with the UK Corporate Governance Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the FRC guidance "Risk Management, Internal Control and Related Financial and Business Reporting". The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, 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, assisted by the Audit Committee, monitors all controls, including financial, operational and compliance controls, and risk management. The Audit Committee receives each year from the Manager a formal report, which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to the Manager's and the Audit Committee's attention.

The Board, through the Audit Committee, has performed a specific assessment for the purpose of this Annual Report. 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, implemented throughout the year are:

- segregation of duties between the preparation of valuations and recording into accounting records;
- independent third party valuations of the majority of the asset-based investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the Managing Partner and reviews of financial reports are carried out by the Finance Director of Albion Ventures LLP;
- bank and stock reconciliations are carried out monthly by the Manager in accordance with FCA 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.

During the year, as the Board has delegated the investment management and administration to Albion Ventures LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board had access to PKF Littlejohn LLP, which, as internal Auditor for Albion Ventures LLP, undertakes periodic examination of the business processes and controls environment at Albion Ventures LLP, and ensures that any recommendations to implement improvements in controls are carried out. PKF Littlejohn LLP report formally to the Board on an annual basis. Jonathan Thornton as Audit Committee Chairman, met with the internal audit Partner of PKF Littlejohn LLP in January 2017 to discuss the most recent Internal Audit Report on the Manager. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Conflicts of interest

Directors review the disclosure of conflicts of interest annually, with 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 21, 23 and 24 of the Directors' report. 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 on 25 May 2017 will be used as an opportunity to communicate with investors, and the Board, including the Chairman of the Audit Committee, will be available to answer questions. 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.

Statement of corporate governance (continued)

Shareholders and financial advisers are able to obtain information on holdings and performance using the contact details provided on page 2.

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

The Directors consider that, with the exception of the requirement for the appointment of a Chief Executive Officer the Company has complied throughout the year ended 31 December 2016 with all the relevant provisions set out in 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

23 March 2017

Directors' remuneration report

Introduction

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

Ordinary resolutions will be proposed at the Annual General Meeting of the Company for the approval of the Directors' Remuneration Policy and the Annual Remuneration Report as set out below.

The Company's independent Auditor, BDO LLP, is required to give its opinion on certain information included in this report, as indicated below. The Auditor's opinion is included in the Independent Auditor's Report.

Annual statement from the Chairman of the Remuneration Committee

The Remuneration Committee comprises all of the Directors excluding Patrick Reeve, with Jonathan Thornton as Chairman.

The Remuneration Committee met once during the year to review Directors' responsibilities and salaries against the market and concluded the current fees, which have not increased since 2005, should be increased to remain both competitive and reflective of the workload and responsibilities required from the Directors. The Committee agreed to raise the salary for the Chairman to £24,000, the Chairman of the Audit Committee to £23,000 and all other Directors to £22,000 save for Patrick Reeve who agreed to waive his fees for his services since becoming a Director in 2013. The change in remuneration took place from 1 January 2016 and is in line with the remuneration policy as detailed below and is displayed in the "Directors' pay compared to distribution to shareholders" table on page 32 of this report.

Directors' remuneration policy

The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company. There is no performance related pay criteria applicable to non-executive Directors.

In accordance with the reporting requirements, an Ordinary resolution for the approval of the Remuneration policy of the Company, to remain in force for a three year period, will be put to the members at the Annual General Meeting and will be effective from that date.

The maximum level of non-executive Directors' remuneration is £100,000 per annum which is fixed by the Company's Articles of Association.

Assuming this policy is approved by shareholders at the forthcoming Annual General Meeting, it is intended that this policy will continue for the year ended 31 December 2017 and will remain in place for a three year period.

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. In accordance with the recommendations of the AIC Code, Directors who have served the Company for longer than nine years are subject to annual re-election, and any non-independent Directors are also subject to annual re-election. At the forthcoming Annual General Meeting, Jonathan Thornton, Patrick Reeve and Geoffrey Vero will retire and be proposed for re-election. As Ben Larkin has been appointed since the last Annual General Meeting, he will resign and be subject to election at the forthcoming Annual General Meeting. Andy Phillipps retired as a Director on 17 March 2017.

None of the Directors have a service contract with the Company, and as such there is no policy on termination payments. There is no notice period and no payments for loss of office were made during the period. On being appointed to the Board, Directors receive a letter from the Company setting out the terms of their appointment and their specific duties and responsibilities. The Company has no employees other than the Directors.

Shareholders' views in respect of Directors' remuneration are regarded highly and the Board encourages shareholders to attend its Annual General Meeting in order to communicate their thoughts, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 98.0 per cent. of shareholders voted for the resolution approving the Directors' remuneration report, which shows significant shareholder support.

Annual report on remuneration

The remuneration of individual Directors is determined by the Remuneration Committee within the framework set by the Board. The Committee meets at least once a year and met once during the year under review with full attendance from all of its members, except Ben Larkin who joined on 5 December 2016.

It is responsible for reviewing the remuneration of the Directors and the Company's remuneration policy to ensure that it reflects the duties, responsibilities and value of time spent by the Directors on the business of the Company and makes recommendations to the Board accordingly.

Directors' remuneration report (continued)

Directors' remuneration

The following items have been audited.

The following table shows an analysis of the remuneration of individual Directors, who were in office during the year, exclusive of National Insurance:

	31 December 2016 £'000	31 December 2015 £'000
Ben Larkin (appointed 5 December 2016)	2.0	–
Andrew Phillipps (resigned 17 March 2017)	22.0	20.5
Patrick Reeve	–	–
Jonathan Thornton	23.0	20.5
Geoffrey Vero	24.0	20.5
	71.0	61.5

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.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £6,798 (2015: £7,181).

The Directors' remuneration for the year ending 31 December 2017 is expected to be £74,000.

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 December 2016 Ordinary Shares	31 December 2015 Ordinary shares
Ben Larkin (appointed 5 December 2016)	–	N/A
Andrew Phillipps (resigned 17 March 2017)	175,979	175,979
Patrick Reeve	141,354	134,753
Jonathan Thornton	112,627	112,627
Geoffrey Vero	41,394	41,394
Total	471,354	464,753

Ben Larkin and Jonathan Thornton subscribed for new shares under the Albion VCTs Prospectus Top Up Offers 2016/2017 and were issued with 70,721 and 9,897 respectively as part of the 31 January 2017 allotment.

There are no guidelines or requirements in respect of Directors' share holdings.

The following items have not been audited.

Albion Ventures LLP, its Partners and staff (including Patrick Reeve) hold 381,524 Ordinary shares in the Company.

Performance graph

The graph below shows the Company's share price total return relative to the FTSE All-Share Index total return, in both instances with dividends reinvested, since 1 January 2007. The Directors consider the FTSE All-Share Index to be the most appropriate benchmark for the Company as it contains a large range of sectors within the UK economy similar to a generalist VCT. 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 that follows.

Source: Albion Ventures LLP

Methodology: The share price return to the shareholder, including original amount invested (rebased to 100) from 1 January 2007, assuming that dividends were re-invested at the share price of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

Directors' pay compared to distribution to shareholders

	2016 £'000	2015 £'000	Percentage increase
Total distribution to shareholders including dividends	3,136	2,682	16.9
Share buybacks	864	649	33.1
Total Directors' fees	71.0	61.5	15.4

By Order of the Board

Geoffrey Vero
Director
23 March 2017

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

Our opinion on the Financial Statements

In our opinion the Albion Development VCT PLC Financial Statements for the year ended 31 December 2016, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

What our opinion covers

Our audit opinion on the Financial Statements covers the:

- Income statement;
- Balance sheet;
- Statement of changes in equity;
- Statement of cash flows; and
- related notes

Respective responsibilities of Directors and Auditor

As explained more fully in the report of the Directors, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

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

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

Investments

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

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.

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

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

We tested a sample of 84 per cent. of the unquoted investment portfolio.

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

The remaining 69 per cent. of the portfolio is valued with reference to more subjective techniques including 48 per cent. supported by a third party valuation: 28 per cent. using discounted cash flows and 20 per cent. using earnings multiples. The remaining 21 per cent. of the portfolio is valued using multiples of earnings or revenue. For detailed testing we:

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

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

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

In respect of quoted equity investments, we confirmed that bid price had been used and that there were no contra indicators, such as liquidity considerations, to suggest bid price was not the most appropriate indication of fair value. 1 per cent. of the portfolio is valued at bid price.

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

Revenue

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

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

We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.

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

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

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

Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality – Based on 2 per cent. of invested assets	Assessing whether the Financial Statements as a whole present a true and fair view	<ul style="list-style-type: none"> ● The value of investments ● The level of judgement inherent in the valuation ● The range of reasonable alternative valuation 	680,000
Specific materiality – classes of transactions and balances which impact on revenue profits – Based on 10 per cent. of the revenue return before tax	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the Financial Statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements	<ul style="list-style-type: none"> ● The level of net income return 	70,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £8,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;

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

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

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

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

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

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

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

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

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 21, in relation to going concern and on page 13 in relation to longer-term viability; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

BDO LLP

Vanessa-Jayne Bradley (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

23 March 2017

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

Income statement

		Year ended 31 December 2016			Year ended 31 December 2015		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	-	2,911	2,911	-	1,367	1,367
Investment income	4	1,114	-	1,114	1,335	-	1,335
Investment management fees	5	(239)	(717)	(956)	(215)	(646)	(861)
Other expenses	6	(210)	-	(210)	(202)	-	(202)
Profit on ordinary activities before tax		665	2,194	2,859	918	721	1,639
Tax (charge)/credit on ordinary activities	8	(116)	119	3	(149)	129	(20)
Profit and total comprehensive income attributable to shareholders		549	2,313	2,862	769	850	1,619
Basic and diluted return per share (pence)*	10	0.9	3.8	4.7	1.5	1.6	3.1

* excluding treasury shares

The accompanying notes on pages 41 to 53 form an integral part of these Financial Statements.

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

Balance sheet

	Note	31 December 2016 £'000	31 December 2015 £'000
Fixed asset investments	11	33,798	31,565
Current assets			
Trade and other receivables less than one year	13	441	685
Cash and cash equivalents		10,153	6,972
		10,594	7,657
Total assets		44,392	39,222
Creditors: amounts falling due within one year			
Trade and other payables less than one year	14	(307)	(322)
Total assets less current liabilities		44,085	38,900
Equity attributable to equityholders			
Called up share capital	15	689	600
Share premium		17,886	11,652
Capital redemption reserve		12	12
Unrealised capital reserve		7,253	4,883
Realised capital reserve		4,763	4,820
Other distributable reserve		13,482	16,933
Total equity shareholders' funds		44,085	38,900
Basic and diluted net asset value per share (pence)*	16	70.7	71.1

* excluding treasury shares

The accompanying notes on pages 41 to 53 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 23 March 2017 and were signed on its behalf by


Geoffrey Vero
 Chairman

Company number: 03654040

Statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 January 2016	600	11,652	12	4,883	4,820	16,933	38,900
Profit/(loss) and total comprehensive income for the period	-	-	-	1,690	623	549	2,862
Transfer of unrealised losses on disposal or write off of investments	-	-	-	680	(680)	-	-
Purchase of shares for treasury	-	-	-	-	-	(864)	(864)
Issue of equity	89	6,389	-	-	-	-	6,478
Cost of issue of equity	-	(155)	-	-	-	-	(155)
Dividends paid	-	-	-	-	-	(3,136)	(3,136)
As at 31 December 2016	689	17,886	12	7,253	4,763	13,482	44,085
As at 1 January 2015	482	5,560	12	1,954	4,500	21,927	34,435
Profit/(loss) and total comprehensive income for the period	-	-	-	1,971	(1,121)	769	1,619
Transfer of unrealised losses on disposal or write off of investments	-	-	-	958	(958)	-	-
Purchase of shares for treasury	-	-	-	-	-	(649)	(649)
Issue of equity	118	6,275	-	-	-	(33)	6,360
Cost of issue of equity	-	(183)	-	-	-	-	(183)
Transfer from other distributable reserve to realised capital reserve	-	-	-	-	2,399	(2,399)	-
Dividends paid	-	-	-	-	-	(2,682)	(2,682)
As at 31 December 2015	600	11,652	12	4,883	4,820	16,933	38,900

* These reserves amount to £18,245,000 (2015: £21,753,000) which is considered distributable.

Statement of cash flows

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Cash flow from operating activities		
Loan stock income received	767	1,076
Deposit interest received	96	64
Dividend income received	74	82
Investment management fees paid	(926)	(835)
Other cash payments	(217)	(213)
Corporation tax paid	(20)	-
Net cash flow from operating activities	(226)	174
Cash flow from investing activities		
Purchase of fixed asset investments	(2,715)	(3,995)
Disposal of fixed asset investments	3,797	3,302
Net cash flow from investing activities	1,082	(693)
Cash flow from financing activities		
Issue of share capital	5,820	5,807
Cost of issue of shares (including D share conversion in 2015)	-	(17)
Equity dividends paid	(2,631)	(2,295)
Purchase of own shares (including costs)	(864)	(649)
Net cash flow from financing activities	2,325	2,846
Increase in cash and cash equivalents	3,181	2,327
Cash and cash equivalents at start of period	6,972	4,645
Cash and cash equivalents at end of period	10,153	6,972
Cash and cash equivalents comprise:		
Cash at bank and in hand	10,153	6,972
Cash equivalents	-	-
Total cash and cash equivalents	10,153	6,972

Notes to the Financial Statements

1. Basis of preparation

The Financial Statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 ("FRS 102"), and with the 2014 Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by The Association of Investment Companies ("AIC").

The preparation of the Financial Statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The most critical estimates and judgements relate to the determination of carrying value of investments at Fair Value Through Profit and Loss ("FVTPL"). The Company values investments by following the IPEVCV Guidelines and further detail on the valuation techniques used are in note 2 below.

Company information is shown on page 2.

2. Accounting policies

Fixed asset investments

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

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

Upon initial recognition (using trade date accounting) investments, including loan stock, are classified by the Company as FVTPL and are included at their initial fair value, which is cost (excluding expenses incidental to the acquisition which are written off to the income statement).

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

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

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

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

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

Investment income

Equity income

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

Unquoted loan stock and other preferred income

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

Notes to the Financial Statements (continued)

Bank interest income

Interest income is recognised on an accruals 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 other distributable reserve 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. This is in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Performance incentive fee

In the event that a performance incentive fee crystallises, the fee will be allocated between other distributable and realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Taxation

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

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

Reserves

Share premium account

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

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, or permanent diminutions in value;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders where paid out by capital.

Other distributable reserve

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

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

Dividends

Dividends by the Company are accounted for in the period in which the dividend is paid or approved at the Annual General Meeting.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single operating segment of business, being investment in equity and debt. The Company invests in smaller companies principally based in the UK.

Notes to the Financial Statements (continued)

3. Gains on investments

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Unrealised gains on fixed asset investments	1,690	1,971
Realised gains/(losses) on fixed asset investments	1,221	(604)
	<u>2,911</u>	<u>1,367</u>

4. Investment income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Income recognised on investments		
Loan stock interest and other fixed returns	949	1,186
UK dividend income	74	82
Bank deposit interest	91	67
	<u>1,114</u>	<u>1,335</u>

Interest income earned on impaired investments at 31 December 2016 amounted to £42,000 (2015: £45,000).

5. Investment management fees

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Investment management fee charged to revenue	239	215
Investment management fee charged to capital	717	646
	<u>956</u>	<u>861</u>

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on page 11.

During the year, services of a total value of £956,000 (2015: £861,000) 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 in respect of these services disclosed as accruals was £248,000 (2015: £219,000).

During the year, the Company was not charged by Albion Ventures LLP in respect of Patrick Reeve's services as a Director (2015: £nil).

Albion Ventures LLP, the Manager, holds 42,188 Ordinary shares in the Company.

Albion Ventures LLP is, from time to time, eligible to receive transaction fees and monitoring fees from portfolio companies. During the year ended 31 December 2016, fees of £150,000 attributable to the investments of the Company were received by Albion Ventures LLP pursuant to these arrangements (2015: £179,000).

6. Other expenses

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Directors' fees (including NIC)	76	67
Auditor's remuneration for statutory audit services (excluding VAT)	26	27
Other administrative expenses	108	108
	<u>210</u>	<u>202</u>

Notes to the Financial Statements (continued)

7. Directors' fees

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

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Directors' fees	71	62
National insurance	5	5
	<u>76</u>	<u>67</u>

The Company's key management personnel are the Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 31 and 32.

8. Tax on ordinary activities

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
UK corporation tax charge in respect of current year	-	39
UK corporation tax credit in respect of prior years	(3)	(19)
	<u>(3)</u>	<u>20</u>

Factors affecting the tax charge:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Return on ordinary activities before taxation	2,859	1,639
Tax charge on profit at the small companies rate of 20 per cent. (2015: 20 per cent.)	572	328
Factors affecting the charge:		
Non-taxable gains	(582)	(273)
Income not taxable	(15)	(16)
Excess management expenses carried forward	25	-
Adjustment in respect of prior years	(3)	(19)
	<u>(3)</u>	<u>20</u>

The tax (credit)/charge for the year shown in the Income statement is lower than the companies rate of corporation tax in the UK of 20 per cent. (2015: 20 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) The Company has excess management expenses of £123,000 (2015: £nil) that are available for offset against future profits. A deferred tax asset of £25,000 (2015: £nil) has not been recognised in respect of these losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

Notes to the Financial Statements (continued)

9. Dividends

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Dividend of 2.5p per Ordinary share paid on 29 May 2015	–	1,335
Dividend of 2.5p per Ordinary share paid on 30 September 2015	–	1,347
Dividend of 2.5p per Ordinary share paid on 31 May 2016	1,572	–
Dividend of 2.5p per Ordinary share paid on 30 September 2016	1,564	–
	<u>3,136</u>	<u>2,682</u>

In addition to the dividends summarised above, the Board has declared a first dividend of 2.0 pence per Ordinary share for the year ending 31 December 2017, payable on 31 May 2017 to shareholders on the register on 5 May 2017. The total dividend will be approximately £1,354,000.

10. Basic and diluted return per share

	Year ended 31 December 2016			Year ended 31 December 2015		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit attributable to equity shares (£'000)	549	2,313	2,862	769	850	1,619
Weighted average shares in issue (excluding treasury shares)		61,380,295			52,626,429	
Return attributable per equity share (pence)	0.9	3.8	4.7	1.5	1.6	3.1

The weighted average number of Ordinary shares is calculated excluding the treasury shares of 6,556,700 (2015: 5,257,700).

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

Notes to the Financial Statements (continued)

11. Fixed asset investments

	31 December 2016 £'000	31 December 2015 £'000
Investments held at fair value through profit or loss		
Unquoted equity and preference shares	15,322	13,777
Unquoted loan stock	18,172	17,394
Quoted equity	304	394
	<u>33,798</u>	<u>31,565</u>
	31 December 2016 £'000	31 December 2015 £'000
Opening valuation	31,565	29,873
Purchases at cost	2,715	4,007
Disposal proceeds	(3,575)	(3,792)
Realised gains/(losses)	1,221	(604)
Movement in loan stock accrued income	182	110
Unrealised gains	1,690	1,971
Closing valuation	<u>33,798</u>	<u>31,565</u>
Movement in loan stock accrued income		
Opening accumulated movement in loan stock accrued income	244	134
Movement in loan stock accrued income	182	110
Closing accumulated movement in loan stock accrued income	<u>426</u>	<u>244</u>
Movement in unrealised gains		
Opening accumulated unrealised gains	4,706	1,777
Transfer of previously unrealised gains to realised reserve on disposal of investments	(540)	(1,072)
Transfer of previously unrealised losses to realised reserves on investments written off but still held	1,221	2,030
Movement in unrealised gains	1,690	1,971
Closing accumulated unrealised gains	<u>7,077</u>	<u>4,706</u>
Historic cost basis		
Opening book cost	26,614	27,962
Purchases at cost	2,715	4,007
Sales at cost	(1,812)	(3,325)
Cost of investments written off but still held	(1,221)	(2,030)
Closing book cost	<u>26,297</u>	<u>26,614</u>

Purchases and disposals detailed above do not agree to the Statement of cash flows due to restructuring of investments, conversion of convertible loan stock and settlement debtors and creditors.

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)

Unquoted fixed asset investments are valued at fair value in accordance with the IPEVCV guidelines as follows:

Valuation methodology	31 December 2016 £'000	31 December 2015 £'000
Valuation supported by third party or desktop valuation	17,922	16,804
Cost and price of recent investment (reviewed for impairment or uplift)	8,304	5,418
Revenue multiple	5,195	6,812
Earnings multiple	1,916	1,902
Discount to third party offer	158	235
	33,494	31,171

Fair value investments had the following movements between valuation methodologies between 31 December 2015 and 31 December 2016:

Change in valuation methodology (2015 to 2016)	Value as at 31 December 2016 £'000	Explanatory note
Revenue multiple to price of recent investment	893	Recent external funding round
Revenue multiple to third party offer	158	More relevant valuation methodology
Cost (reviewed for impairment) to earnings multiple	115	More relevant valuation methodology

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2016.

FRS 102 and the SORP requires the Company to disclose the inputs to the valuation methods applied to its investments measured at fair value through profit or loss in a fair value hierarchy. The table below sets out fair value hierarchy definitions using FRS102 s.11.27, which has been adopted early.

Fair value hierarchy	Definition
Level 1	Unadjusted quoted prices in an active market
Level 2	Inputs to valuations are from observable sources and are directly or indirectly derived from prices
Level 3	Inputs to valuations not based on observable market data

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

Notes to the Financial Statements (continued)

Investments held at fair value through profit or loss (Level 3) had the following movements in the year to 31 December 2016:

	31 December 2016			31 December 2015		
	Equity	Loan stock	Total	Equity	Loan stock	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	13,777	17,394	31,171	12,349	17,123	29,472
Additions	1,775	940	2,715	1,123	2,821	3,944
Disposals	(1,896)	(1,679)	(3,575)	(1,690)	(2,102)	(3,792)
Accrued loan stock interest	-	182	182	-	110	110
Realised gains/(losses)	675	546	1,221	(467)	(137)	(604)
Debt/equity swap and restructurings	5	(5)	-	480	(480)	-
Unrealised gains	986	793	1,779	1,982	59	2,041
Closing balance	15,322	18,173	33,495	13,777	17,394	31,171

FRS 102 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. 66 per cent. of the portfolio of investments is based on cost, recent investment price, agreed offer price or is loan stock, and as such the Board considers that the assumptions used for their valuations are the most reasonable. The Directors believe that changes to reasonable possible alternative assumptions (by adjusting the revenue and earnings multiples) for the valuations of the remainder of the portfolio companies could result in an increase in the valuation of investments by £603,000 or a decrease in the valuation of investments by £686,000. For valuations based on earnings and revenue multiples, the Board considers that the most significant input is the price/earnings ratio; for valuations based on third party valuations, the Board considers that the most significant inputs are price/earnings ratio, discount factors and market values for buildings; which have been adjusted to drive the above sensitivities.

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 management. 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 investments listed below are held as part of an investment portfolio and therefore, as permitted by FRS 102 section 9.9B, they are measured at fair value through profit and loss and not consolidated as subsidiaries.

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 2016 as described below:

Company	Country of incorporation	Profit/(loss) before tax £'000	Net assets/ (liabilities) £'000	Results for year ended	Principal activity	% class and share type	% total voting rights held by the Company
Albion Investment Properties Limited	Great Britain	n/a*	(988)	31 December 2015	Owner of residential property	68.2% A Ordinary	68.2%

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

Notes to the Financial Statements (continued)

13. Current assets

	31 December 2016 £'000	31 December 2015 £'000
Trade and other receivables less than one year		
Prepayments and accrued income	15	19
Corporation tax receivable	3	19
Other debtors	423	647
	<u>441</u>	<u>685</u>

14. Creditors: amounts falling due within one year

	31 December 2016 £'000	31 December 2015 £'000
Accruals and deferred income	303	266
Trade creditors	4	17
UK corporation tax payable	-	39
	<u>307</u>	<u>322</u>

15. Called up share capital

Allotted, called up and fully paid shares:

	31 December 2016 £'000
Ordinary shares	
59,965,643 Ordinary shares of 1 penny each at 31 December 2015	600
8,917,931 Ordinary shares of 1 penny each issued during the year	89
68,883,574 Ordinary shares of 1 penny each at 31 December 2016	689
5,257,700 Ordinary shares of 1 penny each held in treasury at 31 December 2015	(53)
1,299,000 Ordinary shares of 1 penny each purchased during the year to be held in treasury	(13)
6,556,700 Ordinary shares of 1 penny each held in treasury at 31 December 2016	(66)
Voting rights of 62,326,874 Ordinary shares of 1 penny each at 31 December 2016	623

The Company purchased 1,299,000 Ordinary shares (2015: 951,000) at a cost of £864,000 including stamp duty (2015: £649,000) to be held in treasury during the year to 31 December 2016. Total share buy backs in 2016 represents 1.9 per cent. (2015: 1.6 per cent.) of called-up share capital as at 31 December 2016.

Under the terms of the Dividend Reinvestment Scheme, the following new Ordinary shares of nominal value 1 penny each were allotted during the year:

Date of allotment	Number of shares issued	Aggregate nominal amount of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
31 May 2016	366,881	4	68.6	247	68.0
30 September 2016	381,011	4	66.8	253	66.3
	<u>747,892</u>			<u>500</u>	

Notes to the Financial Statements (continued)

Under the terms of the Albion VCTs Prospectus Top Up Offers 2015/2016, the following new Ordinary shares of nominal value 1 penny each, were allotted during the year:

Date of allotment	Number of shares issued	Aggregate nominal amount of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
29 January 2016	2,807,295	28	72.8	2,003	68.3
29 January 2016	1,581,367	16	73.2	1,129	68.3
31 March 2016	3,604,114	36	73.3	2,562	68.0
6 April 2016	103,435	1	72.6	73	68.0
6 April 2016	12,554	–	73.0	9	68.0
6 April 2016	61,274	1	73.3	44	68.0
	<u>8,170,039</u>	<u>82</u>		<u>5,820</u>	

16. Basic and diluted net asset value per share

	31 December 2016 (pence per share)	31 December 2015 (pence per share)
Basic and diluted net asset value per Ordinary share	70.7	71.1

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 62,326,874 Ordinary shares as at 31 December 2016 (2015: 54,707,943).

17. Capital and financial instruments risk management

The Company's capital comprises Ordinary 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 21 of the Directors' report.

The Company's financial instruments comprise equity and loan stock investments in quoted and unquoted companies, cash balances and 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 apart from where noted below, 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 quoted and unquoted investments, details of which are shown on pages 16 to 18. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio company and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment risk.

The Manager and the Board formally review investment risk (which includes market price risk), both at the time of initial investment and at quarterly Board meetings.

The Board monitors the prices at which sales of investments are made to ensure that profits to the Company are maximised, and that valuations of investments retained within the portfolio appear sufficiently 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 is £33,798,000 (2015: £31,565,000). Fixed asset investments form 77 per cent. of net asset value as at 31 December 2016 (2015: 81 per cent.).

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

Notes to the Financial Statements (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 up to 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 investments have been made are contained in the Portfolio of investments section on pages 16 to 18 and in the Strategic report.

Valuations are based on the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines.

As required under FRS 102 section 34.29, the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed asset investment portfolio is sensitive to a 10 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. (2015: 10 per cent.) increase or decrease in the valuation of the fixed asset investments (keeping all other variables constant) would increase or decrease the net asset value and return for the year by £3,379,800 (2015: £3,156,500).

Interest rate risk

The Company is exposed to fixed and floating rate 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 of one percentage point in all interest rates would have increased total return before tax for the year by approximately £89,000 (2015: £35,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average effective interest rate applied to the Company's fixed rate assets during the year was approximately 6.2 per cent. (2015: 7.4 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 5.9 years (2015: 6.5 years).

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

	31 December 2016				31 December 2015			
	Fixed rate £'000	Floating rate £'000	Non- interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non- interest bearing £'000	Total £'000
Unquoted equity	-	-	15,322	15,322	-	-	13,777	13,777
Quoted equity	-	-	304	304	-	-	394	394
Unquoted loan stock	17,345	209	618	18,172	16,889	-	505	17,394
Debtors*	-	-	423	423	-	-	655	655
Current liabilities*	-	-	(307)	(307)	-	-	(283)	(283)
Cash	-	10,153	-	10,153	-	6,972	-	6,972
Total	17,345	10,362	16,360	44,067	16,889	6,972	15,048	38,909

* The debtors and current liabilities do not reconcile to the Balance sheet as prepayments and tax payable/refundable are not included in the above table.

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 and other similar 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.

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.

Notes to the Financial Statements (continued)

The Company's total gross credit risk for Ordinary shares at 31 December 2016 was limited to £18,172,000 (2015: £17,394,000) of unquoted loan stock instruments (all are secured on the assets of the portfolio company), £10,153,000 (2015: £6,972,000) of cash deposits with banks and £441,000 (2015: £647,000) of other debtors.

As at the Balance sheet date, the cash held by the Company is held with Lloyds Bank plc, Scottish Widows Bank plc (part of Lloyds Banking Group), Barclays Bank plc and National Westminster Bank plc. Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, with high credit ratings assigned by international credit-rating agencies.

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 credit profile of unquoted loan stock is described under liquidity risk shown below.

The cost, impairment and carrying value of impaired loan stock in the portfolio held at fair value through profit and loss are as follows:

	31 December 2016			31 December 2015		
	Cost £'000	Impairment £'000	Carrying value £'000	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	2,987	(645)	2,342	3,287	(865)	2,422

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 £4,273,000 as at 31 December 2016 (2015: £3,742,000).

The Company had no committed borrowing facilities as at 31 December 2016 (2015: nil) and the Company had cash and fixed term deposit balances of £10,153,000 (2015: £6,972,000). 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 £307,000 (2015: £283,000).

The carrying value of loan stock investments at 31 December 2016, analysed by expected maturity dates is as follows:

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	3,946	1,351	634	5,931
1-2 years	1,035	968	243	2,246
2-3 years	777	-	221	998
3-5 years	3,013	23	52	3,088
Greater than 5 years	4,214	-	1,695	5,909
	<u>12,985</u>	<u>2,342</u>	<u>2,845</u>	<u>18,172</u>

Loan stock can be past due as a result of interest or capital not being paid in accordance with contractual terms.

The average annual interest yield on the total cost of past due loan stock is 8.4 per cent. (2015: 4.1 per cent.).

Notes to the Financial Statements (continued)

The carrying value of the loan stock investments at 31 December 2015, analysed by expected maturity dates is as follows:

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	3,676	1,910	7	5,593
1-2 years	714	475	–	1,189
2-3 years	340	–	629	969
3-5 years	3,326	37	425	3,788
Greater than 5 years	4,250	–	1,605	5,855
	<u>12,306</u>	<u>2,422</u>	<u>2,666</u>	<u>17,394</u>

In view of the availability of adequate cash balances and the repayment profile of loan stock investments, the Board considers that the Company is subject to low liquidity risk.

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 2016 are stated at fair value as determined by the Directors, with the exception of debtors and creditors and cash which are carried at amortised cost, in accordance with FRS 102. 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 to the fair value and all are payable within one year.

18. Contingencies and commitments

As at 31 December 2016, the Company had no financial commitments (2015: £214,000).

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

19. Post balance sheet events

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

- Disposal of Masters Pharmaceuticals Limited for £497,000;
- Disposal of AMS Sciences Limited for £169,000 of which £30,000 is deferred and held in escrow;
- Investment of £315,000 in Quantexa Limited;
- Investment of £155,000 in Black Swan Data Limited.

On 29 November 2016 the Company announced the publication of a prospectus in relation to an offer for subscription for new Ordinary shares. A Securities Note, which forms part of the prospectus, has been sent to shareholders.

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

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
31 January 2017	1,203,858	12	70.4	831	64.8
31 January 2017	621,281	6	70.7	428	64.8
31 January 2017	3,549,732	36	71.1	2,448	64.8
	<u>5,374,871</u>	<u>54</u>		<u>3,707</u>	

The Board is pleased to announce that it has reached its £4 million limit under its Offer, which as of 30 January 2017 was fully subscribed and has now closed.

20. Related party transactions

Other than transactions with the Manager as disclosed in note 5, there are no other related party transactions or balances requiring disclosure.

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 25 May 2017 at 12:00pm for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 10 will be proposed as ordinary resolutions and numbers 11 to 13 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 December 2016 together with the report of the Directors and Auditor.
2. To approve the Directors' remuneration policy for the year ended 31 December 2016.
3. To approve the Directors' remuneration report for the year ended 31 December 2016.
4. To elect Ben Larkin as a Director of the Company.
5. To re-elect Geoffrey Vero as a Director of the Company.
6. To re-elect Jonathan Thornton as a Director of the Company.
7. To re-elect Patrick Reeve as a Director of the Company.
8. To re-appoint BDO LLP as Auditor of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the audited accounts are to be laid.
9. To authorise the Directors to agree the Auditor's remuneration.

Special Business

10. Authority to allot shares

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 £148,517 for Ordinary 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.

11. Authority for the disapplication of pre-emptive rights

That, subject to and conditional on the passing of resolution number 10, 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 10 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 Prospectus Top Up Offers 2016/2017 and similar Offers; and
- (d) otherwise than pursuant to paragraphs (a) to (c) above, up to an aggregate nominal amount of £148,517 for Ordinary shares.

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.

Notice of Annual General Meeting (continued)

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 "pursuant to the authority conferred by resolution number 10" were omitted.

12. Authority to purchase own shares

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 of 1 penny each 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 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 is 1 penny;
- (c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary 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, varied or renewed, expire 18 months from the date that this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting; and
- (e) the Company may make a contract or contracts to purchase Ordinary 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 shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

13. Authority to sell treasury shares

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

By order of the Board



Albion Ventures LLP

Company Secretary

Registered office

1 King's Arms Yard

London EC2R 7AF

23 March 2017

Albion Development VCT PLC is registered in England and Wales with company number 03654040

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 Pavilions, Bridgewater Road, Bristol, BS99 6ZZ;
 - going to www.investorcentre.co.uk and following the instructions provided there; or
 - by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

Return of the Form of Proxy will not preclude a member from attending the meeting and voting in person. A member may not use any electronic address provided in the Notice of this meeting to communicate with the Company for any purposes other than those expressly stated.

To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 12:00pm on 23 May 2017.

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 12:00pm on 23 May 2017 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
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 12:00pm on 23 May 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service 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/her 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.

Notice of Annual General Meeting (continued)

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.
8. As at 21 March 2017 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 74,258,445 Ordinary shares. The Company holds 6,556,700 Ordinary shares in treasury. At that date, the total voting rights for the Company were 67,701,745.
9. Members satisfying the thresholds in Section 338 of the Companies Act 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 or 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 the 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.

Albion Development VCT PLC