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Annual Report and Financial  
Statements for the year  
ended 31 December 2008

Albion Technology & General VCT PLC  
(formerly Close Technology & General VCT PLC)

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# Company Information

<b>Company number</b>	4114310
<b>Directors</b>	Dr N E Cross, Chairman Lt Gen Sir Edmund Burton KBE M J Hart P H Reeve
<b>Company secretary and registered office</b>	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
<b>Manager</b>	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
<b>Registrar and shareholders' helpline</b>	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA
<b>Custodian</b>	Capita Trust Company Limited Phoenix House 7th Floor 18 King William Street London, EC4N 7HE
<b>Auditors</b>	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
<b>Taxation adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RN
<b>Legal advisers</b>	Berwin Leighton Paisner Adelaide House London Bridge London, EC4R 9HA

Albion Technology & General VCT PLC is a member of the Association of Investment Companies.

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<b>Shareholder information</b>	For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars Limited: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras) Email: <a href="mailto:ssd@capitaregistrars.com">ssd@capitaregistrars.com</a> Website: <a href="http://www.capitaregistrars.com">www.capitaregistrars.com</a> For enquiries relating to the performance of the Fund please contact Albion Ventures LLP: Tel: 020 7601 1850 Email: <a href="mailto:enquiries@albion-ventures.co.uk">enquiries@albion-ventures.co.uk</a> Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>
<b>IFA information</b>	Independent Financial Advisors with questions please contact Albion Ventures LLP: Tel: 08442 579 722 (calls cost 4p per minute plus network extras) Email: <a href="mailto:enquiries@albion-ventures.co.uk">enquiries@albion-ventures.co.uk</a> Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>

## Investment Objectives

Albion Technology & General VCT PLC ("the Company") is a Venture Capital Trust which raised £14.3 million in December 2000 and 2002, and raised a further £35.0 million during 2006 through the launch of a C share issue. The Company offers investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. The Company's investment portfolio is intended to be split approximately as follows:

- 40 per cent. in unquoted UK technology related companies; and
- 60 per cent. in unquoted UK non-technology companies.

## Financial Calendar

Annual General Meeting	19 June 2009
Announcement of interim results for the six months ended 30 June 2009	August 2009

## Financial Summary

### Ordinary shares

**139.8p**

Net asset value plus dividends since launch to 31 December 2008

**16.0p**

Tax free dividend per share paid in the year to 31 December 2008 (includes 8p for the year to 31 December 2009, paid in advance)

**86.8p**

Net asset value per share as at 31 December 2008

### C shares

**87.3p**

Net asset value plus dividends since launch to 31 December 2008

**4.5p**

Tax free dividend per share paid in the year to 31 December 2008 (includes 1.5p for the year to 31 December 2009, paid in advance)

**79.8p**

Net asset value per share as at 31 December 2008

**Ordinary shares Net Asset Value total return growth relative to  
FTSE All-Share Index  
(in both cases with dividends reinvested)**

## Financial Summary continued

	Ordinary shares		C shares	
	31 December 2008 (pence)	31 December 2007 (pence)	31 December 2008 (pence)	31 December 2007 (pence)
Dividends paid	16.0	8.0	4.5	2.5
Revenue return	4.4	4.4	3.0	3.1
Capital (loss)/return	(16.0)	3.2	(11.4)	(2.9)
Net asset value	86.8	114.1	79.8	92.7

### Total shareholder net asset value return to 31 December 2008:

	Ordinary shares 31 December 2008 (pence per share) <sup>(i)</sup>	C shares 31 December 2008 (pence per share) <sup>(ii)</sup>
Total dividends paid during the year ended:		
31 December 2001 <sup>(i)</sup>	1.0	-
31 December 2002	2.0	-
31 December 2003	1.5	-
31 December 2004	7.5	-
31 December 2005	9.0	-
31 December 2006	8.0	0.5
31 December 2007	8.0	2.5
31 December 2008	16.0	4.5
<b>Total dividends paid to 31 December 2008</b>	<b>53.0</b>	<b>7.5</b>
<b>Net asset value as at 31 December 2008</b>	<b>86.8</b>	<b>79.8</b>
<b>Total shareholders return to 31 December 2008</b>	<b>139.8</b>	<b>87.3</b>

A third dividend was paid on 30 December 2008 of 8.0 pence per share for Ordinary shares and 1.5 pence per share for C shares. This Ordinary share dividend is the total 2009 dividend paid in advance and the C share dividend is the first dividend for 2009 paid in advance.

#### Notes

- (i) Based on subscription by the first closing on 16 January 2001. Investors subscribing thereafter, up to 30 June 2001 received 0.5 pence per share.
- (ii) Excludes tax benefits upon subscription.

# Chairman's Statement

## Introduction

The financial performance for the year to 31 December 2008 reflects the worsening economic environment. The Company saw a total negative return of 11.6 pence per Ordinary share and 8.4 pence per C share over the year (2007: 7.6 pence per Ordinary share and 0.2 pence per C share positive returns) resulting in a decline in net asset values, (after the dividend payments of 16.0 pence per Ordinary share and 4.5 pence per C share) to 86.8 pence per Ordinary share and 79.8 pence per C share. This compares with 114.1 pence per Ordinary share and 92.7 pence per C share as at 31 December 2007. A decline in the level of market valuation multiples, the growing recession in the general economy and the cautious view of our investee companies' trading prospects, has led to a general pressure on the valuation of investments.

## Investment progress and prospects

A total of £9.8 million was invested in 6 new companies and 14 existing investee companies during the year. In addition, it is pleasing that our investment in Grosvenor Health Limited was sold for a capital profit of £590,000 in the Ordinary share portfolio and £63,000 in the C share portfolio. This is after having generated a further £199,000 income on the total investment of £435,000 in the Ordinary share portfolio, and a further £24,000 income on the total investment of £276,000 in the C share portfolio.

The slowdown in consumer spending has adversely affected trading in some of our leisure oriented businesses, particularly pubs and health and fitness clubs. This, combined with the historically very low market interest rates, will adversely affect the Company's income in 2009. In addition, slower than expected growth in some of our technology investments has resulted in partial write-downs. Nevertheless, we believe that your Company's policy of ensuring that it has a first charge wherever possible and no external gearing in investee companies, is helping to mitigate the adverse effects of the severe economic downturn. In addition, your Company's cash resources will enable the VCT to take advantage of the lower valuations now becoming apparent.

## Recovery of historic VAT

Following a period of lobbying by the Association of Investment Companies, the welcome review of the position regarding the exemption of management fees from VAT by HM Revenue & Customs in July 2008 has meant that the Manager is able to reclaim historic VAT that it had previously charged to the Company. A reclaim of historic VAT of £243,000 and £332,000 (before the deduction of tax) for Ordinary and C shares respectively has been credited to the distributable reserves in respect of the anticipated

repayment. Further details regarding this claim, and its disclosure, are shown in note 6 of the Annual Report and Financial Statements. With effect from 1 October 2008, all management and administration fees are considered exempt from VAT.

## Risks and uncertainties

The strongly negative outlook for the UK economy continues to be the key risk affecting the Company and, as mentioned above, we are seeing the effects of this in certain sectors of our portfolio. Nevertheless, despite pressures on certain of our investee companies, the portfolio as a whole remains cash generative and it remains our policy for investee companies to have no external bank borrowings. This leads us to anticipate that, over the longer term, the current reductions in valuation represent value deferred rather than value permanently lost, although valuations and investment income may come under further pressure in the short term.

Meanwhile, opportunities continue to arise at attractive valuations, including within the healthcare sector. A detailed analysis of the other risks and uncertainties facing the business is shown in the Directors' Report and Enhanced Business Review within this Annual Report and Financial Statements.

## Results and dividends

As at 31 December 2008, the Ordinary shares net asset value was £11.3 million or 86.8 pence per share compared to £15.2 million or 114.1 pence per share as at 31 December 2007. The C share net asset value was £28.4 million or 79.8 pence per C share compared to £32.9 million or 92.7 pence per C share as at 31 December 2007. The Ordinary shares' revenue return before taxation was £773,000 for the year compared to £738,000 for the year to 31 December 2007. The C shares' revenue return before taxation was £1,436,000 for the year compared to £1,538,000 for the year to 31 December 2007.

Following the successful sale of the investment in Grosvenor Health Limited, the Board decided to pay a third dividend for the year to 31 December 2008 amounting to 8.0 pence per Ordinary share and 1.5 pence per C share. This was paid on 30 December 2008 and brought the total dividends paid for the year to 16.0 pence per Ordinary share and 4.5 pence per C share. It is intended, however, that this third dividend replaces the first and second dividends for the Ordinary shares for the year to 31 December 2009, and the first dividend for the C shares for that year. Thus, Ordinary shareholders are unlikely to receive any dividends in the current financial year to 31 December 2009 and C shareholders will only receive one dividend which is likely to

## Chairman's Statement continued

be paid in September 2009 following the announcement of the Half-yearly Financial Report.

### **Discount management and share buy-backs**

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interest, including the maintenance of sufficient resources for the investment in existing and new investee companies and the continued payment of dividends to shareholders. Given the high level of volatility and the adverse movements apparent in all markets, the discount to net asset value per share at which shares are bought back will widen from that which has applied historically.

### **Proposed change to the Company's Articles of Association**

At the forthcoming Annual General Meeting, a special resolution will be proposed to adopt new articles of association in order to update the Company's existing Articles of Association (the "Current Articles") and to take account of the changes that have been brought into force by the Companies Act 2006. Whilst the Company will be incorporating the new provisions of the Companies Act 2006 in relation to electronic and/or website communications, it does not yet intend to communicate with its shareholders via such means. A summary of the principal changes that are proposed to be made to the Current Articles by resolutions 9 and 10 is contained in the Directors' Report and Enhanced Business Review on page 29.

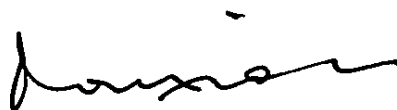
### **Change of Manager and name change**

The business of Close Ventures Limited was acquired by Albion Ventures LLP ("Albion Ventures") from Close Brothers Group ("Close") on 23 January 2009. Albion Ventures has been formed by the executive directors of Close Ventures Limited; meanwhile Close will continue to have an investment in the business. The Company's management contract has been novated from Close Ventures to Albion Ventures under exactly the same terms as the existing agreement. The investment approach of Albion Ventures and the investment policy of the Company are also unchanged, with a continued emphasis on building up a broad portfolio of investee companies, normally with no external bank borrowings, and the maintenance of a regular dividend yield. As a result of this change, the Company Secretary has changed to Albion Ventures LLP. Following the vote in favour of the resolution at the General Meeting on 25 March 2009, the Company has changed its name to Albion Technology & General VCT PLC.

**Dr Neil Cross**

Chairman

9 April 2009



# Manager's Report

An analysis of Albion Technology & General VCT's investment portfolio as at 31 December 2008 is shown below. Care has been taken to create a spread across a broad number of sectors, with those that are asset-based and consumer facing, such as pubs, health and fitness clubs and cinemas, being balanced by higher growth businesses in the business services, healthcare, IT and environmental sectors.

## Ordinary share portfolio

The following is the sector split of the portfolio by valuation as at 31 December 2008:

## C share portfolio

The following is the sector split of the portfolio by valuation as at 31 December 2008:

## New investments

During the year the Ordinary shares and C shares invested £635,000 and £3,329,000 respectively in new qualifying investments. New investments include £215,000 and £785,000 in Bravo Inns II Limited, an owner and operator of 11 pubs in the North West of England; £120,000 and £540,000 in Vibrant Energy Surveys Limited, a provider of energy saving certificates; £110,000 and £515,000 in Opta Sports Data Limited, a provider of Europe-wide sporting statistics and information to a broad variety of media; £100,000 and £350,000 in Prime Care Holdings Limited, a domiciliary care operator based on the south coast; and

finally £90,000 and £140,000 in Ivivo Limited, a developer of medical imaging software. In addition, the Ordinary share portfolio invested a total of £1.4 million and the C share portfolio invested a total of £4.4 million in eleven existing investee companies, mainly in the IT and medical technology sectors. These tended to be in promising businesses, but where growth had been slower than anticipated.

## Disposals

As noted in the Chairman's Statement, the sale of Grosvenor Health during the year generated strong profits for both classes of share (leading to annualised returns of 35 per cent. and 29 per cent. for the Ordinary and C shares respectively). In addition, subsequent to the year end (and not included in these accounts) the Ordinary shares' holding in Tepnel Life Sciences was disposed of for £444,000, an uplift of £272,000 on the valuation as at 31 December 2008 and an offer for Pilat Media shares of £183,000 has been made. The carrying value at 31 December 2008 was £61,000.

## Portfolio review

The investment portfolio in Ordinary shares declined in value by £2.7 million and the C share portfolio by £3.8 million during the year, mainly as a result of unrealised write downs reflecting the current difficult trading environment. The valuation of Xceleron, a company which provides specialist drug development services to the life-sciences sector, has been reduced to reflect disappointing growth and trading losses in the period, although we remain positive about its longer term prospects. Peakdale, a provider of research and chemical compounds to major pharmaceutical companies is experiencing difficult trading conditions, and a fall in the value of its freehold premises. Resorthoppa, a global airport transfer services company has been experiencing difficult trading conditions within the travel industry, including increased competition. Subsequent to the year end, it was acquired for shares by Lowcosttravel, another portfolio company, in order to benefit from the related synergies of the merger. Investments in the pub sector have been devalued as the sector continues to struggle. The Company's other leisure investments are still showing growth, though their valuations have also declined as the broader business environment has harshened. Principal amongst these are the health and fitness clubs, where benefits of growing membership have been outweighed by the reduction in commercial property values.

We are working closely with our portfolio companies as they take proactive measures to limit the impact of the down turn. It is our intention going forward to concentrate particularly on sectors such as healthcare, which we believe are likely to provide a greater degree of resilience during the current recession.

## Albion Ventures LLP

Manager

9 April 2009

## The Board of Directors

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

**Dr Neil Cross (64) (appointed 6 December 2000)** was formerly an executive director of 3i Group plc from 1989 to 1996, having spent 27 years in a variety of investment and management roles, latterly in charge of the group's international operations. He has been a non-executive director of a number of listed and private companies and is presently a non-executive director of BMT Group Limited (Chairman) and Caliburn Absolute Strategies SPC.

**Lieutenant General Sir Edmund Burton KBE, MA, FIET, FBCS, (65) (appointed 6 December 2000)** was Deputy Chief of Defence Staff (Systems) from 1997 to 1999, with specific responsibility for developing a balanced and affordable equipment and research programme for the United Kingdom Armed Forces. His military career prior to that included three years as Commandant of the Royal Military College of Science at Shrivenham and two years as military attaché at the British Embassy in Washington. On 31 December 2003, he completed a three year appointment as Executive Chairman of the Police Information Technology Organisation. He is visiting professor at Cranfield University and Chairman of the Information Assurance Advisory Council.

**Michael Hart (67) (appointed 6 December 2000)** was, until October 2004 executive chairman of AFA Systems PLC, the AIM quoted developer of treasury software for financial institutions which he founded in 1995. Prior to that, he was managing director of ACT Group PLC which he joined in 1989 after 15 years at Siemens Nixdorf.

**Patrick Reeve (48) MA, ACA, (appointed 11 December 2003)** qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Albion Ventures LLP (formerly Close Ventures Limited) with the launch of Albion Venture Capital Trust PLC (formerly Close Brothers Venture Capital Trust PLC) in the spring of 1996. He is the Managing Partner of Albion Ventures LLP and is director of Albion Income & Growth VCT PLC, Albion Protected VCT PLC and Albion Enterprise VCT PLC, all managed by Albion Ventures LLP.

## The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Services Authority and is the Manager of Albion Technology & General VCT PLC. In addition to Albion Technology & General VCT PLC, it manages a further six venture capital trusts, and has currently total funds under management of approximately £200 million.

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

**Patrick Reeve, (48), MA, ACA**, details included in the Board of Directors section.

**Isabel Dolan, (44), BSc (Hons), ACA, MBA**, is Operations Partner of Albion Ventures LLP having previously been Finance Director for a number of unquoted companies. From 1993 – 1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997 – 2001 she was at 3i plc, latterly as a portfolio director. She joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

**Dr Andrew Elder, (38), MA, FRCS**. After qualifying as a surgeon he practised for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001, specialising in healthcare strategy. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

**Will Fraser-Allen, (38), BA (Hons), ACA**, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2001.

**Emil Gigov, (39), BA (Hons), ACA**, qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2000.

**David Gudgin, (36), BSc (Hons), ACMA**, after working for ICL from 1993 – 1999 where he qualified as an accountant, he joined 3i plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US\$80 million. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

**Ed Lascelles, (33), BA (Hons)**, joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2004.

**Henry Stanford, (42), MA, ACA**, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of Close Brothers Group plc in 1992. He became an assistant director in 1996 and transferred to Albion Ventures LLP (formerly Close Ventures Limited) in 1998 to concentrate on VCT investment.

**Robert Whitby-Smith, (34), BA (Hons), MSI, ACA**, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

**Michael Kaplan, (32), BA, MBA**. After graduating from the University of Washington in 1999 with a BA in International Finance, he joined Marakon Associates as an Analyst. In 2000, he became the Chief Financial Officer of Widevine Technologies, a security software company based in Seattle. After graduation with his MBA from INSEAD, in 2004 he joined the Boston Consulting Group focusing on the retail and financial services industries. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2007.

**Marco Yu (31), MPhil, MA, MRICS**, qualified as a chartered surveyor in 2004. From 2002 – 2005, he worked at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005, where he advised senior lenders on large capital projects. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2007.

## Portfolio of Investments Ordinary shares

Investee company	As at 31 December 2008				As at 31 December 2007			Change in carrying/fair value for the year net of investments/exits in the year £'000	
	% voting rights	% voting rights of managed companies	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value £'000		Total carrying/fair value £'000
<b>Qualifying technology portfolio</b>									
Xceleron Limited	7.3%	45.1%	648	10	658	550	178	728	(168)
Blackbay Limited	2.3%	32.9%	275	21	296	250	21	271	-
Tepnel Life Sciences Plc***	0.7%	0.7%	328	(156)	172	328	(189)	139	33
Dexela Limited	2.2%	37.3%	155	3	158	65	3	68	-
Oxsensis Limited	1.3%	22.3%	125	-	125	125	-	125	-
Mi-Pay Limited	1.8%	32.8%	144	(30)	114	100	-	100	(30)
RFI Global Services Limited	1.4%	15.0%	180	(72)	108	180	(126)	54	54
Helveta Limited	1.1%	23.4%	103	3	106	81	(15)	66	19
Peakdale Molecular Limited	6.3%	15.5%	427	(326)	101	428	-	428	(327)
Lowcosttravelgroup Limited	1.3%	13.9%	120	(26)	94	120	8	128	(34)
Ivivo Limited	2.7%	45.0%	90	1	91	-	-	-	1
sparesFinder Limited	10.5%	14.3%	675	(611)	64	675	(611)	64	-
Pilat Media Global Plc***	1.2%	1.2%	168	(107)	61	168	107	275	(213)
Rostima Limited	0.9%	29.4%	72	(15)	57	50	(15)	35	2
Point 35 Microstructures Limited	0.9%	28.1%	65	(21)	44	65	-	65	(21)
Process Systems Enterprise Limited	0.4%	11.9%	50	(16)	34	50	-	50	(16)
Portrait Software Plc*	0.6%	0.6%	310	(280)	30	310	(238)	72	(42)
Bond International Plc*	0.1%	0.1%	12	(1)	11	12	40	52	(40)
Red-M Group Limited	1.0%	10.7%	105	(94)	11	75	(56)	19	(38)
Palm Tree Technology plc	0.2%	2.1%	38	(32)	6	38	2	40	(34)
OnclickHR Plc*	0.1%	0.1%	58	(53)	5	58	(53)	5	-
<b>Total qualifying technology investments</b>			<b>4,148</b>	<b>(1,802)</b>	<b>2,346</b>	<b>3,728</b>	<b>(944)</b>	<b>2,784</b>	<b>(854)</b>

\* AIM quoted investments

\*\* Albion Ventures LLP

\*\*\* Subsequent to the year end (and not included in these accounts) the Ordinary shares' holding in the AIM quoted company Tepnel Life Sciences plc was disposed of for £444,000, an uplift of £272,000 on the valuation as at 31 December 2008. An offer of £183,000 for the holding in the AIM quoted company Pilat Media Global plc has been made, the carrying value of which at 31 December 2008 was £61,000.

# Portfolio of Investments Ordinary shares continued

Investee company	As at 31 December 2008				As at 31 December 2007				Change in carrying/ fair value for the year net of investments/exits in the year £'000
	% voting rights	% voting rights of managed companies	Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	
<b>Qualifying non-technology portfolio</b>									
Evolutions Television Limited	10.7%	49.9%	1,530	(38)	1,492	1,531	117	1,648	(156)
The Q Garden Company Limited	33.3%	49.8%	2,401	(1,401)	1,000	2,068	(878)	1,190	(165)
Consolidated PR Limited	10.6%	25.5%	778	(158)	620	887	(85)	802	(73)
Peakdale Molecular Limited <sup>a</sup>	n/a	n/a	600	(6)	594	667	-	667	(6)
The Weybridge Club Limited	3.3%	50.0%	530	(45)	485	530	54	584	(99)
Bravo Inns II Limited	2.7%	50.0%	215	(7)	208	-	-	-	(7)
Kensington Health Clubs Limited	1.2%	50.0%	256	(90)	166	250	4	254	(88)
Chichester Holdings Limited	2.3%	50.0%	150	24	174	150	37	187	(13)
Tower Bridge Health Clubs Limited	2.9%	50.0%	183	(10)	173	183	24	207	(34)
CS (Brixton) Limited	3.9%	50.0%	150	16	166	150	8	158	8
Welland Inns VCT Limited	2.5%	50.0%	253	(108)	145	235	14	249	(122)
Opta Sports Data Limited	0.6%	7.7%	110	6	116	-	-	-	6
Prime Care Holdings Limited	2.4%	33.9%	100	2	102	-	-	-	2
The Charnwood Pub Company Limited	1.5%	50.0%	110	(9)	101	110	(26)	84	17
Bravo Inns Limited	1.6%	50.0%	140	(40)	100	98	-	98	(40)
GB Pub Company VCT Limited	3.9%	50.0%	174	(82)	92	163	(45)	118	(37)
CS (Greenwich) Limited	2.0%	50.0%	110	(23)	87	110	(10)	100	(13)
The Dunedin Pub Company VCT Limited	2.4%	50.0%	120	(37)	83	120	(7)	113	(30)
Novello Pub Limited	4.3%	50.0%	122	(56)	66	122	(42)	80	(14)
City Screen (Liverpool) Limited	4.6%	50.0%	50	15	65	50	29	79	(14)
CS (Exeter) Limited	4.0%	50.0%	60	(14)	46	60	(8)	52	(5)
Premier Leisure (Suffolk) Limited	1.4%	45.0%	110	(67)	43	110	(25)	85	(42)
Vibrant Energy Surveys Limited	1.5%	23.2%	120	(87)	33	-	-	-	(87)
CS (Norwich) Limited	1.9%	50.0%	30	(9)	21	30	-	30	(9)
Riverbourne Health Club Limited	1.5%	50.0%	30	(15)	15	30	1	31	(16)
Resorthoppa Limited	1.7%	45.0%	80	(69)	11	80	-	80	(69)
Pelican Inn Limited	5.0%	50.0%	18	(17)	1	148	(52)	96	-
Grosvenor Health Limited	n/a	n/a	-	-	-	435	477	912	(12)
<b>Total qualifying non-technology investments</b>			<b>8,530</b>	<b>(2,325)</b>	<b>6,205</b>	<b>8,317</b>	<b>(413)</b>	<b>7,904</b>	<b>(1,118)</b>
<b>Total qualifying investments</b>			<b>12,678</b>	<b>(4,127)</b>	<b>8,551</b>	<b>12,045</b>	<b>(1,357)</b>	<b>10,688</b>	<b>(1,972)</b>

\*Albion Ventures LLP

<sup>a</sup> This part of the Peakdale investment is in loan stock secured against debtors and property and is classified as a non-technology holding.

## Portfolio of Investments Ordinary shares continued

Investee company			As at 31 December 2008			As at 31 December 2007			Change in carrying/fair value for the year net of investments/exits in the year
	% voting rights	% voting rights of AVL* managed companies	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	
<b>Non-qualifying investments</b>									
Smiles Pub Company Limited	22.6%	100.0%	456	(77)	379	456	(16)	440	(61)
Consolidated PR Limited	2.2%	25.5%	33	11	44	-	-	-	11
Smiles Brewing Company Limited	n/a	n/a	-	-	-	72	(72)	-	-
<b>Total unquoted non-qualifying non-technology investments</b>			<b>489</b>	<b>(66)</b>	<b>423</b>	<b>528</b>	<b>(88)</b>	<b>440</b>	<b>(50)</b>
Portfolio of non-qualifying quoted technology investments	n/a	n/a	46	(42)	4	136	(132)	4	1
<b>Total non-qualifying investments</b>			<b>535</b>	<b>(108)</b>	<b>427</b>	<b>664</b>	<b>(220)</b>	<b>444</b>	<b>(49)</b>

\*Albion Ventures LLP

## Portfolio of Investments c shares

Investee company	% voting rights	% voting rights of AVL* managed companies	As at 31 December 2008			As at 31 December 2007			Change in carrying/ fair value for the year net of investments/ exits in the year £'000
			Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	
<b>Qualifying technology portfolio</b>									
Helveta Limited	9.0%	23.4%	909	26	935	719	(139)	580	165
Dexela Limited	1.7%	37.3%	740	20	760	440	20	460	-
Blackbay Limited	5.6%	32.9%	660	50	710	600	51	651	(1)
Oxsensis Limited	7.6%	22.3%	705	-	705	705	-	705	-
Rostima Limited	10.6%	29.4%	854	(156)	698	600	(184)	416	28
Mi-Pay Limited	11.1%	32.8%	881	(185)	696	610	1	611	(186)
Xceleron Limited	8.9%	45.1%	780	(243)	537	663	-	663	(244)
Point 35 Microstructures Limited	9.0%	28.1%	676	(215)	461	676	8	684	(223)
Process Systems Enterprise Limited	3.8%	11.9%	520	(174)	346	520	1	521	(175)
Ivivo Limited	9.9%	45.0%	140	-	140	-	-	-	-
RFI Global Services Limited	0.8%	15.0%	100	(40)	60	100	(70)	30	30
<b>Total qualifying technology investments</b>			<b>6,965</b>	<b>(917)</b>	<b>6,048</b>	<b>5,633</b>	<b>(312)</b>	<b>5,321</b>	<b>(606)</b>

\* Albion Ventures LLP

## Portfolio of Investments c shares continued

Investee company	% voting rights	% voting rights of AVL* managed companies	As at 31 December 2008			As at 31 December 2007			Change in carrying/ fair value for the year net of investments/ exits in the year £'000
			Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	
<b>Qualifying non-technology portfolio</b>									
Chichester Holdings Limited	12.3%	50.0%	1,850	209	2,059	1,850	223	2,073	(14)
Kensington Health Clubs Limited	12.2%	50.0%	2,744	(903)	1,841	1,750	20	1,770	(924)
The Charnwood Pub Company Limited	29.1%	50.0%	1,370	(11)	1,359	370	(87)	283	76
Droxford Hospital Limited	18.7%	50.0%	1,000	7	1,007	-	-	-	7
Bravo Inns Limited	14.5%	50.0%	1,290	(366)	924	902	3	905	(369)
Bravo Inns II Limited	9.7%	50.0%	785	(26)	759	-	-	-	(26)
The Weybridge Club Limited	3.4%	50.0%	784	(76)	708	550	25	575	(101)
Welland Inns VCT Limited	8.0%	50.0%	871	(240)	631	815	28	843	(268)
Opta Sports Data Limited	2.6%	7.7%	515	29	544	-	-	-	29
Prime Care Holdings Limited	8.5%	33.9%	350	6	356	-	-	-	6
Premier Leisure (Suffolk) Limited	10.9%	45.0%	890	(545)	345	890	(217)	673	(328)
The Dunedin Pub Company VCT Limited	8.0%	50.0%	400	(106)	294	400	-	400	(106)
Riverbourne Health Club Limited	15.5%	50.0%	310	(153)	157	310	10	320	(163)
Vibrant Energy Surveys Limited	7.0%	23.2%	540	(388)	152	-	-	-	(388)
CS (Norwich) Limited	10.6%	50.0%	170	(52)	118	170	-	170	(52)
Resorthoppa Limited	10.3%	45.0%	480	(406)	74	480	-	480	(406)
Evolutions Television Limited	0.4%	49.9%	70	(6)	64	70	(3)	67	(3)
Grosvenor Health Limited	n/a	n/a	-	-	-	276	37	313	26
<b>Total qualifying non-technology investments</b>			<b>14,419</b>	<b>(3,027)</b>	<b>11,392</b>	<b>8,833</b>	<b>39</b>	<b>8,872</b>	<b>(3,004)</b>
<b>Total qualifying investments</b>			<b>21,384</b>	<b>(3,944)</b>	<b>17,440</b>	<b>14,466</b>	<b>(273)</b>	<b>14,193</b>	<b>(3,610)</b>

\*Albion Ventures LLP

## Portfolio of Investments C shares continued

	As at 31 December 2008			As at 31 December 2007			Change in carrying fair value for the year net of investments/exits in the year £'000
	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	
Investee company							
<b>Non-qualifying investments</b>							
Kensington Health Clubs Limited – loan stock	494	-	494	-	-	-	-
<b>Total non-qualifying investments</b>	<b>494</b>	<b>-</b>	<b>494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	As at 31 December 2008			As at 31 December 2007			Change in carrying fair value for the year net of investments/exits in the year £'000
	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	
Current asset investment							
<b>Non-qualifying investments</b>							
The Royal Bank of Scotland Floating Rate Note January 2009	5,003	(19)	4,984	5,003	(9)	4,994	(10)
Rabobank Floating Rate Note July 2010	5,000	(46)	4,954	5,000	(20)	4,980	(26)
Abbey National Floating Rate Note September 2008	-	-	-	5,001	(8)	4,993	3
<b>Total non-qualifying investments</b>	<b>10,003</b>	<b>(65)</b>	<b>9,938</b>	<b>15,004</b>	<b>(37)</b>	<b>14,967</b>	<b>(33)</b>

## Portfolio Companies

The top ten qualifying investments by total aggregate value of equity and loan stock are as follows (unquoted loan stock held by following investments are classified as loans and receivables in accordance with FRS 26 and are carried at amortised cost using the effective interest rate):

### Kensington Health Clubs Limited

This company has developed a 29,000 square foot health and fitness club on a 999 year lease in West London which opened in December 2007. The most recent membership numbers are approximately 2,400 members.

#### Latest audited results

As a small company, Kensington Health Clubs Limited is exempt from filing full accounts.

	£'000
Net assets	2,300
Basis of valuation:	Net asset value
Website:	<a href="http://www.thirtysevendegrees.co.uk/olympia">www.thirtysevendegrees.co.uk/olympia</a>

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	10	68
Equity valuation	–	–
Loan stock valuation	166	2,335
Voting rights	1.2%	12.2%

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

### Chichester Holdings Limited

The company is a distributor of beverages to airline, cruise and other travel industry customers.

#### Latest audited results – year to 30 June 2008

	£'000
Turnover	24,774
Profit before interest	1,261
Net assets	1,002
Basis of valuation:	Earnings multiple
Website:	<a href="http://www.compass-group.co.uk">www.compass-group.co.uk</a>

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	22	302
Equity valuation	75	426
Loan stock valuation	99	1,633
Voting rights	2.3%	12.3%

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

## Portfolio Companies continued

### Evolutions Television Limited

The Company is a television post production business providing post production services, including video and sound editing and automation, to a broad range of production companies. It operates from a freehold building in Oxford Street, London and three leasehold premises nearby. In 2007 it was voted "Television Post Production Company of the Year".

#### Latest audited results – year to 30 June 2008

	£'000
Turnover	9,821
Profit before interest	704
Net assets	1,328
Basis of valuation:	Net asset value
Website:	www.evolutions.tv

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	185	11
Equity valuation	–	–
Loan stock valuation	1,492	64
Voting rights	10.7%	0.4%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 49.9 per cent.

### The Charnwood Pub Company Limited

The Charnwood Pub Company owns and operates two freehold pubs in urban locations.

#### Latest audited results – year to 31 October 2007

As a small company, The Charnwood Pub Company Limited is exempt from filing full accounts.

	£'000
Net assets	27
Basis of valuation:	Net asset value

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	6	19
Equity valuation	21	421
Loan stock valuation	80	938
Voting rights	1.5%	29.1%

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

## Portfolio Companies continued

### Xceleron Limited

The company is a provider of drug development services to the life-science industries.

#### Latest audited results – year to 31 July 2007

	£'000
Turnover	4,828
Profit before interest	170
Net assets	2,589
Basis of valuation:	Price of recent investment
Website:	<a href="http://www.xceleron.co.uk">www.xceleron.co.uk</a>

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	14	3
Equity valuation	341	412
Loan stock valuation	317	125
Voting rights	7.3%	8.9%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 45.1 per cent.

### The Weybridge Club Limited

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

#### Latest audited results – year to 31 August 2007

As a small company, The Weybridge Club Limited is exempt from filing full accounts.

	£'000
Net assets	1,561
Basis of valuation:	Net asset value
Website:	<a href="http://www.theweybridgeclub.com">www.theweybridgeclub.com</a>

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	20	30
Equity valuation	47	49
Loan stock valuation	438	659
Voting rights	3.3%	3.4%

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

## Portfolio Companies continued

### Helveta Limited

The company provides traceability and verification for the timber industry.

#### Latest audited results – year to 31 December 2007

As a small company, Helveta Limited is exempt from filing full accounts.

	£'000
Net assets	145
Basis of valuation:	Price of recent investment
Website:	www.helveta.com

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	2	20
Equity valuation	83	732
Loan stock valuation	23	203
Voting rights	1.1%	9.0%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 23.4 per cent.

### Bravo Inns Limited

The company was formed in May 2007 and currently owns seven freehold pubs in and around Bolton. The refurbishment programme has now been completed, and the decrease in valuation reflects the current fall in asset values in this sector generally. The Company is managed by the team which recently successfully exited from The Bold Pub Company Limited.

#### Latest audited results – year to 31 March 2008

	£'000
Turnover	1,094
Loss before interest	(1,017)
Net assets	228
Basis of valuation:	Net asset value

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	6	58
Equity valuation	5	52
Loan stock valuation	95	872
Voting rights	1.6%	14.5%

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

## Portfolio Companies continued

### Droxford Hospital Limited

The company was formed in 2008 to develop a new low secure mental hospital.

#### Latest audited results

As a new company, Droxford Hospital Limited has not yet filed statutory accounts.

Basis of valuation: Cost reviewed for impairment

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	–	7
Equity valuation	–	117
Loan stock valuation	–	890
Voting rights	–	18.7%

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

### Blackbay Limited

The company provides mobile data solutions for the logistics and field service sectors.

#### Latest audited results – year to 31 December 2007

As a small company, Blackbay Limited is exempt from filing full accounts.

	£'000
Net liabilities	(780)
Basis of valuation:	Earnings multiple

#### Investment information

	Ordinary share portfolio £'000	C share portfolio £'000
Income recognised in the year	32	78
Equity valuation	72	172
Loan stock valuation	224	538
Voting rights	2.3%	5.6%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 32.9 per cent.

Net assets of investee companies where a recent third party valuation has taken place, may have a higher valuation in Albion Technology & General VCT PLC accounts than in their own, where the investee company does not have a policy of revaluing their fixed assets.

# Directors' Report and Enhanced Business Review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Technology & General VCT PLC (the "Company") for the year ended 31 December 2008.

## 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 as a venture capital trust in accordance with Part 6 of the Income Taxes 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 2008 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 is listed on The London Stock Exchange.

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

### Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 16.

The Company's share capital comprises Ordinary shares and C shares. Currently, Ordinary shares represent 27 per cent. of the total voting rights and C shares represent 73 per cent. of the total voting rights.

The Ordinary shares and C 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.

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

Ordinary and C shareholders are entitled to receive dividends paid out of the reserves attributable to their respective class of shares. Ordinary and C shareholders are entitled to the return

on capital on winding up or other return on capital based on the surpluses attributable to their respective class of shares.

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

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) under the 'Our Funds' section.

### Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth, through allowing investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. It is intended that, in time, the Company's investment portfolio will be split approximately as follows:

- 40 per cent. in unquoted UK technology related companies; and
- 60 per cent. in unquoted UK non-technology companies.

This split is subject to the availability of quality new investment opportunities arising within the UK technology and non-technology sectors.

In neither of the categories listed above would investee companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of investments (by cost) will comprise loan stock secured with a first charge on the investee company's assets.

The Company currently holds a small portfolio of AIM quoted technology investments which it is gradually realising over time. The Company does not currently intend to make new investments in AIM quoted shares.

### Venture Capital Trust status

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

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';

## Directors' Report and Enhanced Business Review continued

- (3) At least 30 per cent. by value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares';
- (4) At no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by value of its investments;
- (5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (6) Eligible shares must comprise at least 10 per cent. by value of the total of the shares and securities that the Company holds in any one investee company; and
- (7) The Company's shares, throughout the year must have been listed in the Official List of the Stock Exchange.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any investee company. The tests have been carried out and independently reviewed for the year ended 31 December 2008. The Company has complied with all tests and continues to do so.

'Qualifying holdings' for Albion Technology & General VCT PLC include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture, and operating or managing hotels or residential care homes. Details of the sectors in which the Company is invested in can be found in the pie charts on page 8 of the Manager's Report.

Investee company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter and there is an annual investment limit of £1 million in each company.

### **Gearing**

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 December 2008, the Company's maximum exposure was £3,964,000 and its actual short term and long term gearing at this date was £nil. The Directors do not currently have any intention to utilise long term gearing.

### **Current portfolio sector allocation**

The pie charts on page 8 of the Manager's report graphically represent the split of the portfolio valuation for Ordinary and C shares by industrial or commercial sector as at 31 December 2008. Details of the principal investments made by the Company are shown in the Portfolio of Investments on page 11. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 6. Details of significant events which have occurred since the end of the financial year are listed in note 21.

### **Review of business and future changes**

A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 6 and Manager's Report on page 8. Details of related party transactions are shown in note 23.

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

### **Operational arrangements**

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Services Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 26.

# Directors' Report and Enhanced Business Review continued

## Results and dividends

### Ordinary shares

	£'000
Net revenue return for the year ended 31 December 2008	577
Revenue dividend of 2.0p per share paid on 30 May 2008	(263)
Revenue dividend of 2.0p per share paid on 3 October 2008	(262)
Revenue dividend of 2.0p per share paid on 30 December 2008	(259)

### Transferred to revenue reserve

	(207)
Net capital loss for the year ended 31 December 2008	(2,100)
Capital dividend of 2.0p per share paid on 30 May 2008	(263)
Capital dividend of 2.0p per share paid on 3 October 2008	(262)
Capital dividend of 6.0p per share paid on 30 December 2008	(776)

### Transferred to realised and unrealised capital reserves

	(3,401)
Net assets as at 31 December 2008	11,260
Net asset value per share as at 31 December 2008 (pence)	86.8

### C shares

Net revenue return for the year ended 31 December 2008	1,058
Revenue dividend of 1.5p per share paid on 30 May 2008	(532)
Revenue dividend of 1.5p per share paid on 3 October 2008	(533)
Revenue dividend of 1.5p per share paid on 30 December 2008	(533)

### Transferred to revenue reserve

	(540)
<b>Realised and unrealised capital loss for the year ended 31 December 2008 transferred to reserves</b>	(4,045)

Net assets as at 31 December 2008	28,375
Net asset value per share as at 31 December 2008 (pence)	79.8

The Company paid dividends of 16.0 pence per Ordinary share (2007: 8.0 pence) and 4.5 pence per C share (2007: 2.5 pence) during the year ended 31 December 2008.

As shown in the Company's Income Statement on page 39 of the financial statements, the Ordinary shares' investment income has decreased to £875,000 (2007: £932,000) due to

bank and loan stock interest income reducing, and the C shares' income has also decreased to £1,727,000 (2007: £1,964,000) due to the fall in floating rate note income. Ordinary shares' revenue return to equity holders has remained consistent at £577,000 (2007: £586,000) due to the recovery of VAT and for C shares it has decreased to £1,058,000 (2007: £1,113,000) due to the fall in income, which has been partially offset by the recovery of VAT.

The Ordinary shares' capital return for the year was a loss of £2,100,000 (2007: gain £423,000). The C shares' capital return for the year was a loss of £4,045,000 (2007: loss £1,031,000). Losses in the year are mainly attributable to the unrealised devaluations in the Company's investment portfolio due to the current economic climate, and the capitalisation of management fees.

The Ordinary share total return per share was a loss of 11.6 pence per share (2007: profit 7.6 pence per share) and the C share total return per share was a loss of 8.4 pence per share (2007: profit 0.2 pence per share).

The Balance Sheet on page 41 of the financial statements shows that the Ordinary shares' net asset value has decreased over the last year to 86.8 pence per share (2007: 114.1 pence per share). The C share net asset value has decreased over the last year to 79.8 pence per share (2007: 92.7 pence per share), both falls in net asset value can be attributed to the increase in dividends paid in the year and the trading factors described above.

Both classes of shares' cash flow for the business has been negative for the year, reflecting the dividends paid and a high level of investment activity towards the end of the year.

### Key performance indicators

The graphs on pages 4 and 5 shows Albion Technology & General VCT PLC's net asset value total return growth against the FTSE All-Share Index total return growth, in both instances with dividends reinvested. Details on the performance of the net asset value and return per share for the year are shown above.

The total expense ratio for the year to 31 December 2008 was 2.2 per cent. (2007: 3.5 per cent.). This reduction results from the one off recognition of recoverable VAT due on historic management fees.

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

# Directors' Report and Enhanced Business Review continued

The Company continues to comply with HMRC rules in order to maintain its status under Venture Capital Trust legislation as highlighted on page 22.

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

## Principal risks and uncertainties

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

### 1. *Investment risk*

This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders, and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses. To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and their strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and external investment professionals. The Manager also invites comments from all non-executive Directors on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.

### 2. *Venture Capital Trust approval risk*

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

To reduce this risk, the Board has appointed the Manager, who has a team with significant experience in venture capital trust management, is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal

reassurance, the Board has appointed PricewaterhouseCoopers LLP as its taxation advisors. PricewaterhouseCoopers LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

### 3. *Compliance risk*

The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.

Board members and the Manager have experience of operating at senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditors, lawyers and other professional bodies.

### 4. *Internal control risk*

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

The Audit Committee will meet with the Manager's internal auditors Littlejohn at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. In the past year the Board has met with the Head of Internal Audit of Close Brothers Group on a similar basis. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 34.

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

### 5. *Reliance upon third parties risk*

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

## Directors' Report and Enhanced Business Review continued

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

### 6. *Financial risks*

By its nature, as a venture capital trust, the Company is exposed to investment risk (which comprises investment price risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 20 to the financial statements.

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

### Environment

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

### Employees

The Company is managed by Albion Ventures LLP and hence has no employees other than its Directors.

### Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown below:

	31 December 2008		31 December 2007	
	Ordinary shares	C shares	Ordinary shares	C shares
Dr Neil Cross	100,000	100,000	100,000	100,000
Lt. Gen Sir Edmund Burton	27,660	31,050	27,660	31,050
Michael Hart	100,000	-	100,000	-
Patrick Reeve	153,873	200,000	154,502	200,000

There have been no changes in the holdings of the Directors between 31 December 2008 and the date of this report.

No Director has a service contract with the Company.

All Directors, except for Patrick Reeve, who is the Managing Partner of the Manager, are members of the Audit Committee of which Dr. Neil Cross 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.

No options over the share capital, long term incentive or retirement benefits of the Company have been granted to Directors personally, nor does the Company make a contribution to any pension scheme on behalf of the Directors.

### Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance. At the forthcoming Annual General Meeting, Patrick Reeve, will retire and offer himself for election.

### Management Agreement

The Company and Close Ventures Limited entered into a Management Agreement dated 14 December 2000 and a supplementary agreement dated 7 November 2005, which incorporated the C shares into the original agreement. This agreement was novated to Albion Ventures LLP on 23 January 2009. The Management Agreement can be terminated by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Management Agreement 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 2.5 per cent. of the net asset value of the Company. The fee is payable quarterly in arrears. Total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value.

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

### Management Performance Incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a Management Performance Incentive Arrangement with the Manager. Under the incentive arrangement, if the net asset value per share at the end of a financial period, when added to the aggregate dividends per share (both revenue and capital) paid to that date, exceeds £1 increased at the rate of 8 per cent. per annum since the Company's

# Directors' Report and Enhanced Business Review continued

commencement of trading, then the Manager will be entitled to an incentive fee equal to 20 per cent. of such excess. In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods. The fee if applicable, will be payable annually. There was a £19,000 performance fee payable this year, which has arisen due to the refund of historic VAT. This sum has been offset in the VAT recoverable line within the Income Statement.

## Evaluation of the Manager

The Board has evaluated the performance of the Manager based on the returns generated by the Company, the achievement of the 70 per cent. investment requirement for Venture Capital Trust status, the long term prospects of current 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.

## Valuation of investments

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

## Investment and co-investment

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

## Auditors

During the year, as noted in the 2007 Annual Report, the Board changed auditors from Deloitte & Touche LLP to PKF (UK) LLP. The current auditors, PKF (UK) LLP have indicated their willingness to continue as auditors to Albion Technology & General VCT PLC. A resolution to re-appoint PKF (UK) LLP

as auditors will be proposed at the Annual General Meeting on 19 June 2009.

## Substantial interests

As at 31 December 2008 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued share capital, and there have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 December 2008, and to the date of this report.

## Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2008 (2007: Nil).

## Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

This disclosure is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

## Statement of Directors' responsibilities for the preparation of Company financial statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing and Disclosure and Transparency Rules of the Financial Services Authority.

Company law and the Disclosure and Transparency Rules require the Directors to prepare financial statements for each financial year. Under these regulations, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Income Statement of the Company for the year.

# Directors' Report and Enhanced Business Review continued

The Directors confirm, to the best of their knowledge:

- that the financial statements are prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the management report included within the Chairman's Statement, Manager's Report and Directors' Report and Enhanced Business Review, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

The Directors of the Company as at 9 April 2009 are shown in the Board of Directors section on page 9. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## Annual General Meeting

The Annual General Meeting will be held at The Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, London EC2M 4TH at 12 noon on 19 June 2009. 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. Summary of proxies lodged at the Annual General Meeting will be published at [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) within the 'Our Funds' section by clicking on Albion Technology & General VCT PLC.

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

## Power to allot shares

Resolution number 6 will request the authority to allot up to an aggregate nominal amount of £648,570 representing approximately 10 per cent. of the issued Ordinary share capital and an aggregate nominal amount of £1,779,002 representing approximately 10 per cent. of the issued C share capital of the Company (excluding shares held in treasury) as at 9 April 2009.

The Directors do not currently have any intention to allot shares, with the exception of the Dividend Reinvestment Scheme and reissuing treasury shares where it is in the Company's interest to do so. The Company currently holds 730,637 Ordinary treasury shares representing 5.6 per cent. of the total Ordinary share capital in issue (excluding shares held in treasury) and 38,796 C treasury shares representing 0.1 per cent. of the total C share capital in issue (excluding shares held in treasury) as at 31 December 2008.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2008. The authority sought at the forthcoming Annual General Meeting will expire on 19 December 2010.

## Dis-application of pre-emption rights

Special resolution number 7 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 up to £1,213,786 of nominal capital representing 5 per cent. of the issued Ordinary share capital and 5 per cent. of issued C share capital of the Company as at the date of this report. The authority sought at the Annual General Meeting will expire on 19 December 2010. Members will note that this resolution also applies to treasury shares.

# Directors' Report and Enhanced Business Review continued

## **Purchase of own shares**

Special resolution number 8 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital and issued C share capital at, or between, the minimum and maximum prices specified in resolution 8.

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

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

This resolution would renew the 2008 authority, which was in similar terms. During the financial year under review, the Company purchased 457,164 Ordinary shares of 50 pence each for treasury at an aggregate consideration of £431,000 including stamp duty representing 3.4 per cent. of the issued share capital (excluding shares held in treasury) and 38,796 C shares of 50 pence each for treasury at an aggregate consideration of £30,000 including stamp duty representing 0.1 per cent. of the issued share capital (excluding shares held in treasury) of the Company as at 31 December 2008.

## **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 resolution number 8, as a special resolution, is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit Directors to sell treasury shares at a price not less than that at which they were purchased.

## **Changes to the Company's Articles of Association**

Special resolution number 9 will be proposed to adopt new Articles of Association (the "New Articles") in order to update the Company's existing Articles of Association (the "Current Articles") and to implement changes that have been brought into force by the Companies Act 2006 (the "Act"). Resolution number 10 will be proposed (as a special resolution) to make further changes to the New Articles in respect of provisions of the Act that come into force on 1 October 2009 (the "Revised Articles").

The principal changes introduced in the New Articles and the Revised Articles are set out below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Act have not been noted below. A copy of the New Articles and the Revised Articles showing all the changes to the Current Articles will be available for inspection at the Company's registered office during normal business hours from the date of the Notice of the Annual General Meeting, until the conclusion of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting, until its conclusion.

## **Approach**

Provisions in the Current Articles which replicate provisions contained in the Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples of such provisions include the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

In addition, the opportunity has also been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles and to update the Current Articles to reflect market practice. The main changes made to reflect market practice are also detailed below.

## **Form of resolution**

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision has been removed as the concept of extraordinary resolutions has not been retained under the Act.

## **Convening general meetings**

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to the new provisions in the Act. The Act reduces the minimum notice period from all general meetings (other than an annual general meeting) to 14 clear days and the amendments to the Current Articles allows the Company to take advantage of such provision. The New Articles reflect the fact that the concept of extraordinary general meetings has been abolished in the Act and all meetings (other than an annual general meeting) are referred to as general meetings.

# Directors' Report and Enhanced Business Review continued

## **Proxies and votes of members**

Under the Act proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only permitted to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the member. The time limits for the appointment of a proxy have been altered by the Act so that the articles cannot provide that they should be received more than 48 hours before the meeting, excluding days that are not working days. The New Articles reflect these new rules, as appropriate.

Multiple corporate representatives may be appointed but if they purport to exercise their rights in different ways, then the power is treated as not being exercised. There is currently uncertainty and differing views on the legal interpretation of section 323 of the Act. For this reason the provisions in the New Articles dealing with the rights of corporate representatives have been removed.

## **Electronic and web communications**

Provisions of the Act which came into force in January 2007, enable companies to communicate with members by electronic and/or website communications. A company will be allowed to send documents to a member in electronic form (subject to consent of the members) and by a website. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him or her by means of a website, and the Company must either have received a positive response or have no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either by post, or by other permitted means) when a relevant document or information is placed on the website and a member retains the right to request a hard copy version of the document or information. The New Articles allow communications to members in electronic form and, permit the Company to take advantage of the new provisions relating to website communications. These provisions have been brought right up to date to reflect the relevant provisions of the Act.

Whilst the Company will be incorporating the new provisions of the Act in relation to electronic and/or website communications, it does not yet intend to communicate with its shareholders via such means. If and at such time as the Company deems appropriate to communicate with shareholders via electronic and/or website communications, it shall write to shareholders regarding such use.

## **Directors' indemnities and funding of defence proceedings**

The Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles now fully reflect these provisions of the Act.

## **The Company's objects**

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is usually drafted to give a wide scope.

The Act significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act, the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing a resolution to remove its objects clause, together with all other provisions of its Memorandum which, by virtue of the Act, are to be treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 10 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the current statement in the Company's Memorandum of Association regarding limited liability, the Revised Articles should also contain an express statement regarding the limited liability of the members.

## **Change of name**

Currently a company can only change its name by special resolution. The Act permits the articles to specify another method of changing the company's name eg by board resolution. To take advantage of this provision, the Revised Articles enable the Directors to pass a resolution to change the Company's name.

## Directors' Report and Enhanced Business Review continued

### **Authorise Directors to determine conditions and manner of redemption for redeemable shares**

Currently if a company wishes to issue redeemable shares, the terms and manner of redemption must be set out in the articles. The Act introduces a new power permitting the directors to determine the terms, conditions and manner of redemption, provided they are authorised by the articles to do so. The Revised Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need members' authorisation to issue new shares in the usual way.

### **Remove provisions on sub-division, consolidation, purchase of own shares and reduction of share capital**

Under the current law in force, a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves, as well as member authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Act a company will only require member authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the Revised Articles.

### **Seals**

The Revised Articles provide an alternative option for execution of documents (other than share certificates). Under the Revised Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

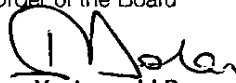
### **Vacation of office by Directors**

The Current Articles specify the circumstances in which a Director must vacate office. The Revised Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform.

### **Recommendation**

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

By Order of the Board

  
**Albion Ventures LLP**  
Company Secretary

1 King's Arms Yard  
London, EC2R 7AF

9 April 2009

# Statement of Corporate Governance

## Background

The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code") and updated in June 2006.

The Board of Albion Technology & General VCT PLC has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Albion Technology & General VCT PLC.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined 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 Section 1 of the Combined 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.

Dr Neil Cross is the Chairman and Senior Independent Director. Mr Michael Hart and Lt Gen Sir Edmund Burton are considered independent directors. Mr Patrick Reeve is not considered an independent Director as he is the Managing Partner of Albion Ventures LLP, the Manager.

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 9. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The

Board has direct 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 Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met five times during 2008 as part of its regular programme of Board meetings. All of the Directors attended each meeting, except for Lt Gen Sir Edmund Burton who was unable to attend one meeting. A sub-committee of the Board comprising Neil Cross and Patrick Reeve met five times during the year to allot shares issued under the Dividend Reinvestment Scheme, authorise conflicts of interest and agree the novation of the Management Agreement to Albion Ventures LLP (which had been agreed in principle at full Board Meetings previously).

The Chairman ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers, and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and its Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

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

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and

## Statement of Corporate Governance continued

- monitoring shareholder profile and considering shareholder communications.

### **Committees' and Directors' performance evaluation**

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

- attendance at Board and Committee meetings;
- the contribution made by individual directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman.

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

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

Patrick Reeve will be proposed for re-election at the Annual General Meeting. As a result of the performance evaluation process, Patrick Reeve is considered to be an effective director and demonstrates strong commitment to the role. On this basis, the Board believes it to be in the best interest of the Company to appoint Patrick Reeve at the forthcoming Annual General Meeting.

### **Remuneration Committee**

Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules 12.43A (a), 12.43A (b) and 12.43A (c) as they relate to Combined Code Provisions B.1 to B.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

### **Audit Committee**

The Audit Committee consists of all Directors excluding Mr Patrick Reeve. Dr Neil Cross is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2008; all members attended.

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

- providing an overview of the Company's accounting policies and financial reporting;

- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditors annually, approving their appointment, re-appointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- developing and implementing a policy for the supply of non-audit services by the external auditors;
- meeting with the internal auditors of the Manager when appropriate;
- ensuring that all Directors of the Company and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee, and that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and reviewing the performance of the Manager and all matters arising under the Management Agreement.

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

- formally reviewing the final Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of the Manager;
- meeting with the external auditors and reviewing their findings;
- undertaking a tender process for the provision of audit services to the Company, evaluating the tenders, and recommending the appointment of PKF (UK) LLP to the Board; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

# Statement of Corporate Governance continued

## **Nomination Committee**

The Nomination Committee consists of all Directors, save Patrick Reeve, with Dr Neil Cross as Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee did not meet during 2008 and will meet when it is appropriate for it to do so.

It is the policy of the Company that all of the Directors are nominated for re-election every three years. The next re-election is at the Annual General Meeting on 19 June 2009. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

## **Internal control**

In accordance with principle C.2 of the Combined Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls, and risk management. The Board receives each year from the Manager a formal report, which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps are, and continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to the Manager's and the Board's attention.

The Board 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.

During the year, as the Board has delegated the investment management and administration to Albion Ventures LLP

(formerly Close Ventures Limited), the Board felt that it is not necessary to have its own internal audit function. Instead, the Board had continual access to the internal audit department of Close Brothers Group plc, which undertook periodic examination of the business processes and controls environment at Albion Ventures LLP, and ensured that any recommendations to implement improvements in controls are carried out. Since the year end, Albion Ventures LLP have appointed Littlejohn as their internal auditors. Littlejohn will report formally to the Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

## **Going concern**

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 20. The Company's business activities, together with details of its performance are shown in this Directors' Report and Enhanced Business Review. The Company has significant cash and liquid resources. The portfolio of investments is well diversified in terms of sector, and the major cash outflows of the company (namely investments, buy-backs and dividends) are within the Company's control. Accordingly, after making reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

## **Conflicts of interest**

Directors disclose conflicts of interest annually with any changes announced at the beginning of Board meetings. 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.

## **Relationships with shareholders**

The Company's Annual General Meeting on 19 June 2009 will be used as an opportunity to communicate with investors. The Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting.

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

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

## Statement of Corporate Governance continued

Shareholders are able to access the latest information on the Company via the Albion Ventures LLP website [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) under the "Our Funds" section.

Any enquiries relating to shareholdings and share certificates or changes to personal details can be directed to Capita Registrars Limited:

Tel: 0871 664 0300

Calls cost 10p per minute plus network extras

Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

Specific enquiries relating to the performance of the Fund should be directed to Albion Ventures LLP:

Tel: 020 7601 1850

Email: [enquiries@albion-ventures.co.uk](mailto:enquiries@albion-ventures.co.uk)

The company's share buy-back programme operates in the market through brokers. In order to sell shares, as they are quoted on the London Stock Exchange, investors should approach a broker to undertake the sale. Banks may be able to assist shareholders with a referral to a broker within their banking group.

### **Statement of compliance**

With the exception of the requirement to have a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 December 2008 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

# Directors' Remuneration Report

## Introduction

This report is submitted in accordance with Schedule 7a to the Companies Act 1985. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Director's remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

## UNAUDITED INFORMATION

### Remuneration Committee

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

### Directors' remuneration policy

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

The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £75,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders.

### Performance graph

The graphs that follow show Albion Technology & General VCT PLC's Ordinary and C shares' prices total return growth against the FTSE All-Share Index total return growth, in both instances with dividends reinvested, since the launch of the Ordinary shares and since the launch of the C shares. The Directors consider this to be the most appropriate benchmark. 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 representations that follow.

Source: Albion Ventures LLP

### Service contracts

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

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. At the forthcoming Annual General Meeting Patrick Reeve will retire and be proposed for re-election.

## Directors' Remuneration Report continued

### AUDITED INFORMATION

#### Directors' remuneration

The following items have been audited.

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

	<b>2008</b>	<b>2007</b>
	<b>Fees</b>	<b>Fees</b>
	<b>£'000</b>	<b>£'000</b>
Dr Neil Cross	17.5	17.5
Michael Hart	17.5	17.5
Lt Gen Sir Edmund Burton	17.5	17.5
Albion Ventures LLP (for Patrick Reeve's services)	17.5	17.5
	<hr/> 70.0	<hr/> 70.0

The Company does not confer any share options, long term incentives or retirement benefits to any Director, nor does it make a contribution to any pension scheme on behalf of the Directors.

Each Director of the Company was remunerated personally through the Manager's payroll recharged to the Company, save for Patrick Reeve, whose services are provided by Albion Ventures LLP.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £12,000.

By Order of the Board



**Albion Ventures LLP**

Company Secretary

1 King's Arms Yard  
London, EC2R 7AF

9 April 2009

# Independent Auditors' Report to the Members of Albion Technology & General VCT PLC

We have audited the Financial Statements of Albion Technology & General VCT PLC for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Cash Flow Statement and the related notes. The Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities. Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement and Manager's Report that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's Statement, Manager's Report, Directors' Report and Enhanced Business Review, the Statement of Corporate Governance, the unaudited part of the Directors' Remuneration Report and the other unaudited information in the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

PKF (UK) LLP

PKF (UK) LLP

Registered Auditors

London, UK

9 April 2009

# Income Statement

	Ordinary shares			C shares			Total			
	Year ended 31 December 2008			Year ended 31 December 2008			Year ended 31 December 2008			
Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
Losses on investments	3	-	(2,029)	(2,029)	-	(3,772)	(3,772)	-	(5,801)	(5,801)
Investment income	4	875	-	875	1,727	-	1,727	2,602	-	2,602
Investment management fees	5	(94)	(281)	(375)	(210)	(631)	(841)	(304)	(912)	(1,216)
Recovery of VAT	6	61	182	243	83	249	332	144	431	575
Other expenses	7	(69)	-	(69)	(164)	-	(164)	(233)	-	(233)
<b>Return/(loss) on ordinary activities before tax</b>		<b>773</b>	<b>(2,128)</b>	<b>(1,355)</b>	<b>1,436</b>	<b>(4,154)</b>	<b>(2,718)</b>	<b>2,209</b>	<b>(6,282)</b>	<b>(4,073)</b>
Tax (charge)/credit on ordinary activities	9	(196)	28	(168)	(378)	109	(269)	(574)	137	(437)
<b>Return/(loss) attributable to shareholders</b>		<b>577</b>	<b>(2,100)</b>	<b>(1,523)</b>	<b>1,058</b>	<b>(4,045)</b>	<b>(2,987)</b>	<b>1,635</b>	<b>(6,145)</b>	<b>(4,510)</b>
<b>Basic and diluted return/(loss) per share (pence)*</b>	11	<b>4.4</b>	<b>(16.0)</b>	<b>(11.6)</b>	<b>3.0</b>	<b>(11.4)</b>	<b>(8.4)</b>			

\* excluding treasury shares

The accompanying notes on pages 47 to 64 form an integral part of these Financial Statements.

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

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

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

The difference between the reported loss on ordinary activities before tax and the historical profit is due to the fair value movements on investments. As a result a Note on Historical Cost Profit and Losses has not been prepared.

# Income Statement

	Ordinary shares			C shares			Total		
	Year ended 31 December 2007			Year ended 31 December 2007			Year ended 31 December 2007		
Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments 3	-	664	664	-	(517)	(517)	-	147	147
Investment income 4	932	-	932	1,964	-	1,964	2,896	-	2,896
Investment management fees 5	(113)	(340)	(453)	(242)	(725)	(967)	(355)	(1,065)	(1,420)
Other expenses 7	(81)	-	(81)	(184)	-	(184)	(265)	-	(265)
<b>Return/(loss) on ordinary activities before tax</b>	<b>738</b>	<b>324</b>	<b>1,062</b>	<b>1,538</b>	<b>(1,242)</b>	<b>296</b>	<b>2,276</b>	<b>(918)</b>	<b>1,358</b>
Tax (charge)/credit on ordinary activities 9	(152)	99	(53)	(425)	211	(214)	(577)	310	(267)
<b>Return/(loss) attributable to shareholders</b>	<b>586</b>	<b>423</b>	<b>1,009</b>	<b>1,113</b>	<b>(1,031)</b>	<b>82</b>	<b>1,699</b>	<b>(608)</b>	<b>1,091</b>
<b>Basic and diluted return/(loss) per share (pence) * 11</b>	<b>4.4</b>	<b>3.2</b>	<b>7.6</b>	<b>3.1</b>	<b>(2.9)</b>	<b>0.2</b>			

\* excluding treasury shares

The accompanying notes on pages 47 to 64 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.

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

The difference between the reported loss on ordinary activities before tax and the historical profit is due to the fair value movements on investments. As a result a Note on Historical Cost Profit and Losses has not been prepared.

# Balance Sheet

		Ordinary shares 31 December 2008 £'000	C Shares 31 December 2008 £'000	Total 31 December 2008 £'000
	Note			
<b>Fixed asset investments</b>				
Qualifying		8,551	17,440	25,991
Non-qualifying		427	494	921
<b>Total fixed asset investments</b>	12	<u>8,978</u>	<u>17,934</u>	<u>26,912</u>
<b>Current assets</b>				
Trade and other debtors	14	714	811	1,525
Current asset investments	14	-	9,938	9,938
Cash at bank and in hand	18	1,647	212	1,859
		<u>2,361</u>	<u>10,961</u>	<u>13,322</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(79)</u>	<u>(520)</u>	<u>(599)</u>
<b>Net current assets</b>		<u>2,282</u>	<u>10,441</u>	<u>12,723</u>
<b>Net assets</b>		<u>11,260</u>	<u>28,375</u>	<u>39,635</u>
<b>Capital and reserves</b>				
Called up share capital	16	6,851	17,809	24,660
Share premium		215	41	256
Special reserve		5,554	15,773	21,327
Capital redemption reserve		400	-	400
Own treasury shares reserve		(713)	(30)	(743)
Realised capital reserve		3,321	(961)	2,360
Unrealised capital reserve		(4,747)	(4,429)	(9,176)
Revenue reserve		379	172	551
<b>Total equity shareholders' funds</b>		<u>11,260</u>	<u>28,375</u>	<u>39,635</u>
<b>Net asset value per share (pence)*</b>	17	<u>86.8</u>	<u>79.8</u>	

\* excluding treasury shares

The accompanying notes on pages 47 to 64 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 9 April 2009 and were signed on its behalf by



**Dr Neil Cross**  
Chairman

# Balance Sheet

		Ordinary shares 31 December 2007 £'000	C Shares 31 December 2007 £'000	Total 31 December 2007 £'000
	Note			
<b>Fixed asset investments</b>				
Qualifying		10,688	14,193	24,881
Non-qualifying		444	–	444
<b>Total fixed asset investments</b>	12	11,132	14,193	25,325
<b>Current assets</b>				
Trade and other debtors	14	223	136	359
Current asset investments	14	–	14,967	14,967
Cash at bank and in hand	18	4,056	4,229	8,285
		4,279	19,332	23,611
<b>Creditors: amounts falling due within one year</b>	15	(218)	(650)	(868)
<b>Net current assets</b>		4,061	18,682	22,743
<b>Net assets</b>		15,193	32,875	48,068
<b>Capital and reserves</b>				
Called up share capital	16	6,795	17,740	24,535
Share premium		165	–	165
Special reserve		5,554	15,768	21,322
Capital redemption reserve		400	–	400
Own treasury shares reserve		(282)	–	(282)
Realised capital reserve		4,067	(745)	3,322
Unrealised capital reserve		(2,092)	(600)	(2,692)
Revenue reserve		586	712	1,298
<b>Total equity shareholders' funds</b>		15,193	32,875	48,068
<b>Net asset value per share (pence)*</b>	17	114.1	92.7	

\* excluding treasury shares

The accompanying notes on pages 47 to 64 form an integral part of these Financial Statements.

# Reconciliation of Movement in Shareholders' Funds

## Ordinary shares

	Called-up share capital £'000	Share premium £'000	Special reserve* £'000	Capital redemption reserve £'000	Own treasury share reserve* £'000	Realised capital reserve* £'000	Unrealised capital reserve £'000	Revenue reserve* £'000	Total £'000
<b>As at 1 January 2008</b>	<b>6,795</b>	<b>165</b>	<b>5,554</b>	<b>400</b>	<b>(282)</b>	<b>4,067</b>	<b>(2,092)</b>	<b>586</b>	<b>15,193</b>
Net realised gains on investments in the year	-	-	-	-	-	626	-	-	626
Capitalised investment management fee (net of tax)	-	-	-	-	-	(253)	-	-	(253)
Recoverable VAT capitalised	-	-	-	-	-	182	-	-	182
Purchase of own treasury shares	-	-	-	-	(431)	-	-	-	(431)
Movement in unrealised appreciation	-	-	-	-	-	-	(2,655)	-	(2,655)
Issue of equity (net of costs)	56	50	-	-	-	-	-	-	106
Revenue return attributable to shareholders	-	-	-	-	-	-	-	577	577
Dividends paid	-	-	-	-	-	(1,301)	-	(784)	(2,085)
<b>As at 31 December 2008</b>	<b>6,851</b>	<b>215</b>	<b>5,554</b>	<b>400</b>	<b>(713)</b>	<b>3,321</b>	<b>(4,747)</b>	<b>379</b>	<b>11,260</b>

<b>As at 1 January 2007</b>	6,795	165	5,554	400	(56)	3,432	(1,276)	471	15,485
Net realised gains on investments in the year	-	-	-	-	-	1,480	-	-	1,480
Capitalised investment management fee (net of tax)	-	-	-	-	-	(241)	-	-	(241)
Purchase of own treasury shares	-	-	-	-	(226)	-	-	-	(226)
Movement in unrealised appreciation	-	-	-	-	-	-	(816)	-	(816)
Revenue return attributable to shareholders	-	-	-	-	-	-	-	586	586
Dividends paid	-	-	-	-	-	(604)	-	(471)	(1,075)
<b>As at 31 December 2007</b>	<b>6,795</b>	<b>165</b>	<b>5,554</b>	<b>400</b>	<b>(282)</b>	<b>4,067</b>	<b>(2,092)</b>	<b>586</b>	<b>15,193</b>

\* Included within these reserves is an amount of £8,541,000 (2007: £9,925,000) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

# Reconciliation of Movement in Shareholders' Funds

## C shares

	Called-up share capital £'000	Share premium £'000	Special reserve* £'000	Own treasury share reserve* £'000	Realised capital reserve* £'000	Unrealised capital reserve £'000	Revenue reserve* £'000	Total £'000
<b>As at 1 January 2008</b>	17,740	-	15,768	-	(745)	(600)	712	32,875
Net realised gains on investments in the year	-	-	-	-	57	-	-	57
Capitalised investment management fee (net of tax)	-	-	-	-	(522)	-	-	(522)
Recoverable VAT capitalised	-	-	-	-	249	-	-	249
Release of previous cost accrual	-	-	5	-	-	-	-	5
Purchase of own treasury shares	-	-	-	(30)	-	-	-	(30)
Movement in unrealised appreciation	-	-	-	-	-	(3,829)	-	(3,829)
Issue of equity (net of costs)	69	41	-	-	-	-	-	110
Revenue return attributable to shareholders	-	-	-	-	-	-	1,058	1,058
Dividends paid	-	-	-	-	-	-	(1,598)	(1,598)
<b>As at 31 December 2008</b>	<b>17,809</b>	<b>41</b>	<b>15,773</b>	<b>(30)</b>	<b>(961)</b>	<b>(4,429)</b>	<b>172</b>	<b>28,375</b>

<b>As at 1 January 2007</b>	17,740	-	15,768	-	(505)	190	486	33,679
Net realised gains on investments in the year	-	-	-	-	274	-	-	274
Capitalised investment management fee (net of tax)	-	-	-	-	(514)	-	-	(514)
Movement in unrealised appreciation	-	-	-	-	-	(790)	-	(790)
Revenue return attributable to shareholders	-	-	-	-	-	-	1,113	1,113
Dividends paid	-	-	-	-	-	-	(887)	(887)
<b>As at 31 December 2007</b>	<b>17,740</b>	<b>-</b>	<b>15,768</b>	<b>-</b>	<b>(745)</b>	<b>(600)</b>	<b>712</b>	<b>32,875</b>

\* Included within these reserves is an amount of £14,954,000 (2007: £15,735,000) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

# Cash Flow Statement

		Ordinary shares Year ended 31 December 2008 £'000	C shares Year ended 31 December 2008 £'000	Total Year ended 31 December 2008 £'000
	Note			
<b>Operating activities</b>				
Investment income received		679	1,226	1,905
Deposit interest received		201	322	523
Dividend income received		10	53	63
Investment management fees paid		(501)	(1,102)	(1,603)
Other cash payments		(59)	(169)	(228)
Interclass account movement		(254)	(84)	(338)
<b>Net cash inflow from operating activities</b>	19	76	246	322
<b>Taxation</b>				
UK corporation tax paid		(199)	(398)	(597)
<b>Capital expenditure and financial investments</b>				
Purchase of investments		(2,084)	(7,687)	(9,771)
Disposal of investments		2,208	5,340	7,548
<b>Net cash inflow/(outflow) from investing activities</b>		124	(2,347)	(2,223)
<b>Equity dividends paid</b>				
Dividends paid	10	(2,085)	(1,598)	(3,683)
<b>Net cash outflow before financing</b>		(2,084)	(4,097)	(6,181)
<b>Financing</b>				
Purchase of own shares	16	(431)	(30)	(461)
Issue of share capital (net of costs)		106	110	216
<b>Net cash (outflow)/inflow from financing</b>		(325)	80	(245)
<b>Cash outflow in the year</b>	18	(2,409)	(4,017)	(6,426)

# Cash Flow Statement

		Ordinary shares	C shares	Total
		Year ended	Year ended	Year ended
		31 December	31 December	31 December
		2007	2007	2007
	Note	£'000	£'000	£'000
<b>Operating activities</b>				
Investment income received		549	1,532	2,081
Deposit interest received		166	203	369
Dividend income received		17	73	90
Investment management fees paid		(460)	(983)	(1,443)
Other cash payments		(72)	(141)	(213)
Interclass account movement		(100)	288	188
<b>Net cash inflow from operating activities</b>	19	100	972	1,072
<b>Taxation</b>				
UK corporation tax paid		(67)	(61)	(128)
<b>Capital expenditure and financial investments</b>				
Purchase of investments		(1,709)	(11,900)	(13,609)
Disposal of investments		4,547	13,960	18,507
<b>Net cash inflow from investing activities</b>		2,838	2,060	4,898
<b>Equity dividends paid</b>				
Dividends paid	10	(1,075)	(887)	(1,962)
<b>Net cash inflow before financing</b>		1,796	2,084	3,880
<b>Financing</b>				
Purchase of own shares	16	(226)	-	(226)
<b>Net cash outflow from financing</b>		(226)	-	(226)
<b>Cash inflow in the year</b>	18	1,570	2,084	3,654

# Notes to the Financial Statements

## 1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") issued by the Association of Investment Companies ("AIC") in January 2009. Albion Technology & General VCT PLC has decided to adopt the principles of the January 2009 SORP earlier than the mandatory date. Accounting policies have been applied consistently in current and prior periods.

## 2. Accounting policies

### Investments

#### *Quoted and unquoted equity investments*

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

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

#### *Unquoted loan stock*

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method ("EIR") less impairment. Movements in respect of capital provisions are reflected in the capital column of the Income Statement and are reflected in the Realised capital reserve following sale, or in the Unrealised capital reserve on revaluation.

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the effective interest rate.

#### *Floating rate notes*

In accordance with FRS 26, floating rate notes are designated as fair value through profit or loss. Floating rate notes are valued at market bid price at the balance sheet date. Floating rate notes are classified as current asset investments as they are investments held for the short term and comparative classification in the Balance Sheet has been restated accordingly.

#### *Warrants, convertibles and unquoted equity derived instruments*

Warrants, convertibles and unquoted equity derived instruments are only valued if their exercise or contractual conversion terms would allow them to be exercised or converted as at the balance sheet date, and if there is additional value to the Company in exercising or converting as at the balance sheet date. Otherwise these instruments are held at nil value. The valuation techniques used are those used for the underlying equity investment.

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 Revenue reserve when a share becomes ex-dividend.

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

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

### Investment income

#### *Quoted and unquoted equity income*

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

#### *Unquoted loan stock and other preferred income*

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using the effective interest rate over the life of the financial instrument. Income which is not capable of being received within a reasonable period of time is reflected in the capital value of the investment.

#### *Bank interest income*

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

#### *Floating rate note income*

Floating rate note income is recognised on an accrual basis using the interest rate applicable to the floating rate note at that time.

# Notes to the Financial Statements continued

## 2. Accounting policies (continued)

### Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the Revenue account except the following which are charged through the Realised capital reserve:

- 75 per cent. of management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the Realised capital reserve.

Under the terms of the Management Agreement, total expenses including management fees and excluding performance fees will not exceed 3.5 per cent. of net asset value at the year end.

### Performance incentive fee

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

### Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The specific nature of taxation of venture capital trusts means that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

## Reserves

### Realised capital reserve

The following are disclosed in this reserve:

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

### Unrealised capital reserve

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

### Special reserve

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

### 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.

### Own treasury shares reserve

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

### Share premium account

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

## Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been paid or approved by shareholders in an Annual General Meeting.

## C shares

Until such time that C shares are converted into Ordinary shares, all investments and returns attributable to this class of share will be separately identifiable from the existing Ordinary shares. All residual expenses will be allocated on the basis of total funds raised for each class of share.

## Notes to the Financial Statements continued

### 3. (Losses)/gains on investments

	Year ended 31 December 2008			Year ended 31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
Unrealised losses on fixed asset investments held at fair value through profit or loss account	(2,000)	(3,503)	(5,503)	(711)	(728)	(1,439)
Unrealised impairments on fixed asset investments held at amortised cost	(655)	(298)	(953)	(105)	(30)	(135)
<b>Unrealised losses on fixed asset investments</b>	<b>(2,655)</b>	<b>(3,801)</b>	<b>(6,456)</b>	<b>(816)</b>	<b>(758)</b>	<b>(1,574)</b>
Unrealised losses on current asset investments held at fair value through profit or loss account	-	(28)	(28)	-	(32)	(32)
<b>Unrealised losses sub-total</b>	<b>(2,655)</b>	<b>(3,829)</b>	<b>(6,484)</b>	<b>(816)</b>	<b>(790)</b>	<b>(1,606)</b>
Realised gains on investments held at fair value through profit or loss account	626	57	683	1,487	282	1,769
<b>Realised gains sub-total</b>	<b>626</b>	<b>57</b>	<b>683</b>	<b>1,487</b>	<b>282</b>	<b>1,769</b>
Net movement on foreign exchange on investments held at fair value through profit or loss account	-	-	-	3	4	7
Commission on purchase and disposal on investments held at fair value through profit or loss account	-	-	-	(10)	(13)	(23)
	-	-	-	(7)	(9)	(16)
<b>Total</b>	<b>(2,029)</b>	<b>(3,772)</b>	<b>(5,801)</b>	<b>664</b>	<b>(517)</b>	<b>147</b>

Investments valued on amortised cost basis are unquoted loan stock investments as described in note 2.

### 4. Investment income and deposit interest

	Year ended 31 December 2008			Year ended 31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
<b>Income recognised on investments held at fair value through profit or loss</b>						
Dividend income	10	53	63	17	73	90
Management fees received from equity investments	9	3	12	14	-	14
Floating rate note interest	-	609	609	-	1,037	1,037
Bank deposit interest	191	307	498	172	211	383
	<b>210</b>	<b>972</b>	<b>1,182</b>	<b>203</b>	<b>1,321</b>	<b>1,524</b>
<b>Income recognised on investments held at amortised cost</b>						
Return on loan stock investments	665	755	1,420	729	643	1,372
	<b>875</b>	<b>1,727</b>	<b>2,602</b>	<b>932</b>	<b>1,964</b>	<b>2,896</b>

Interest income earned on impaired investments at 31 December 2008 for Ordinary shares amounted to £137,000 (2007: £86,000) and for C shares amounted to £8,000 (2007: £32,000). These investments are all held at amortised cost.

## Notes to the Financial Statements continued

### 5. Investment management fees

	Year ended 31 December 2008			Year ended 31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
Investment management fee charged to revenue	94	210	304	113	242	355
Investment management fee charged to capital	281	631	912	340	725	1,065
	<u>375</u>	<u>841</u>	<u>1,216</u>	<u>453</u>	<u>967</u>	<u>1,420</u>

Further details of the Management Agreement under which the investment management fee is paid are given in Directors' Report and Enhanced Business Review on page 26. The management and performance fee (total £46,000) generated through the recovery of historic VAT has been net off against the VAT recovery amount in the Income Statement.

### 6. Recovery of Value Added Tax

HMRC issued a business briefing on 24 July 2008 which permitted the recovery of historic VAT that had been charged on management fees, and which made these fees exempt from VAT with effect from 1 October 2008.

The Manager, Albion Ventures LLP has made a claim for the historic VAT that Albion Technology & General VCT PLC has paid on management fees. Since the balance sheet date the Company had received a historic VAT repayment of £243,000 for Ordinary shares and £332,000 for C shares (before the deduction of tax).

£243,000 for Ordinary shares and £332,000 for C shares has been recognised as a separate item in the Income Statement, allocated between revenue and capital return in the same proportion as that which the original VAT has been charged. An additional tax charge of £72,000 for Ordinary shares and £95,000 for C shares is payable on this recovery of historic VAT and this is reflected in the tax charge shown in the Income Statement.

It is possible that further amounts may be recoverable in due course; however, the Directors are at this stage unable to quantify the amounts involved.

### 7. Other expenses

	Year ended 31 December 2008			Year ended 31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
Directors' fees	22	56	78	22	56	78
Other administrative expenses	36	75	111	44	91	135
Tax services	5	14	19	4	17	21
Auditors remuneration for statutory audit services	6	19	25	11	20	31
	<u>69</u>	<u>164</u>	<u>233</u>	<u>81</u>	<u>184</u>	<u>265</u>

All of the audit fees in the current year include value added tax and relate to PKF (UK) LLP, the current auditors.

### 8. Directors' fees

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

	Year ended 31 December 2008			Year ended 31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
Directors' fees	20	50	70	20	50	70
National insurance and/or VAT	2	6	8	2	6	8
	<u>22</u>	<u>56</u>	<u>78</u>	<u>22</u>	<u>56</u>	<u>78</u>

Further information regarding Directors' remuneration can be found on the Directors' Remuneration Report on page 36.

## Notes to the Financial Statements continued

### 9. Tax charge/(credit) on ordinary activities

#### Ordinary shares

	Year ended 31 December 2008			Year ended 31 December 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	217	(28)	189	210	(99)	111
UK corporation tax in respect of prior year	(21)	-	(21)	(58)	-	(58)
<b>Total</b>	<b>196</b>	<b>(28)</b>	<b>168</b>	<b>152</b>	<b>(99)</b>	<b>53</b>

#### Factors affecting the tax charge:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
(Loss)/return on ordinary activities before taxation	(1,355)	1,062
Tax on profit at the standard rate	(386)	318
Release of over accrual in previous year	-	(2)
	(386)	316
Factors affecting the charge:		
Non-taxable losses/(gains)	579	(199)
Non-taxable income	(4)	(5)
Consortium relief in respect of prior years	(21)	(56)
Marginal relief	-	(3)
	168	53

#### C shares

	Year ended 31 December 2008			Year ended 31 December 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	394	(109)	285	426	(211)	215
UK corporation tax in respect of prior year	(16)	-	(16)	(1)	-	(1)
<b>Total</b>	<b>378</b>	<b>(109)</b>	<b>269</b>	<b>425</b>	<b>(211)</b>	<b>214</b>

#### Factors affecting the tax charge:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
(Loss)/return on ordinary activities before taxation	(2,718)	296
Tax on profit at the standard rate	(774)	88
Release of over accrual in previous year	-	(2)
	(774)	86
Factors affecting the charge:		
Non-taxable losses	1,075	155
Non-taxable income	(16)	(23)
Consortium relief in respect of prior years	(16)	-
Marginal relief	-	(4)
	269	214

## Notes to the Financial Statements continued

### 9. Tax charge/(credit) on ordinary activities (continued)

The UK government changed the rate of UK corporation tax rate from 30 per cent. to 28 per cent. with effect from 1 April 2008. The effective rate of tax for the year to 31 December 2008 is 28.5 per cent. (91 days at 30 per cent. and 275 days at 28 per cent.). The tax charge for the year shown in the Income Statement is lower than the standard rate of corporation tax in the UK of 28 per cent. (2007: 30 per cent.). The differences are explained above.

#### Notes

- (i) Venture Capital Trusts are not subject to corporation tax on capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate and allocating the relief between revenue and capital in accordance with the SORP.
- (iii) No deferred tax asset or liability has arisen in the year.

### 10. Dividends

#### Ordinary shares

	Year ended 31 December 2008			Year ended 31 December 2007		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Dividend of 4.0p (2.0p capital and 2.0p revenue) per share paid on 30 May 2008	263	263	526	-	-	-
Dividend of 4.0p (2.0p capital and 2.0p revenue) per share paid on 3 October 2008	262	262	524	-	-	-
Dividend of 8.0p (6.0p capital and 2.0p revenue) per share paid on 30 December 2008	259	776	1,035	-	-	-
Dividend of 4.0p (2.5p capital and 1.5p revenue) per share paid on 25 May 2007	-	-	-	204	337	541
Dividend of 4.0p (2.0p capital and 2.0p revenue) per share paid on 2 November 2007	-	-	-	267	267	534
	<b>784</b>	<b>1,301</b>	<b>2,085</b>	<b>471</b>	<b>604</b>	<b>1,075</b>

#### C shares

	Year ended 31 December 2008			Year ended 31 December 2007		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue dividend of 1.5p per share paid on 30 May 2008	532	-	532	-	-	-
Revenue dividend of 1.5p per share paid on 3 October 2008	533	-	533	-	-	-
Revenue dividend of 1.5p per share paid on 30 December 2008	533	-	533	-	-	-
Revenue dividend of 1.0p per share paid on 25 May 2007	-	-	-	355	-	355
Revenue dividend of 1.5p per share paid on 2 November 2007	-	-	-	532	-	532
	<b>1,598</b>	<b>-</b>	<b>1,598</b>	<b>887</b>	<b>-</b>	<b>887</b>

## Notes to the Financial Statements continued

### 11. Basic and diluted return per share

	Year ended 31 December 2008			Year ended 31 December 2007		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Ordinary shares	4.4	(16.0)	(11.6)	4.4	3.2	7.6
C shares	3.0	(11.4)	(8.4)	3.1	(2.9)	0.2

#### Ordinary shares

Revenue return per Ordinary share is based upon the net revenue return attributable to shareholders for the year of £577,000 (2007: £586,000) in respect of the weighted average number of shares in issue during the year, being 13,128,893 (2007: 13,438,783), excluding treasury shares of 730,637 (2007: 273,473).

Capital loss per Ordinary share is based upon the net capital loss attributable to shareholders for the year of £2,100,000 (2007: profit £423,000) in respect of the same weighted average number of shares as for the revenue return above.

#### C shares

Revenue return per C share is based upon the net revenue return attributable to shareholders for the year of £1,058,000 (2007: £1,113,000) in respect of the weighted average number of shares in issue during the year, being 35,505,045 (2007: 35,479,122), excluding treasury shares of 38,796 (2007: nil).

Capital loss per C share is based upon the net capital loss attributable to shareholders for the year of £4,045,000 (2007: £1,031,000) in respect of the same weighted average number of shares as for the revenue return above.

There are no convertible instruments, derivatives or contingent share agreements in issue, and therefore no dilution affecting the return per share. The basic return per share is therefore the same as the diluted return per share.

## Notes to the Financial Statements continued

### 12. Fixed asset investments

#### Ordinary shares

	31 December 2008 £'000		31 December 2007 £'000	
Qualifying technology investments	2,346		2,784	
Qualifying non-technology investments	6,205		7,904	
Non-qualifying technology investments	4		4	
Non-qualifying non-technology investments	423		440	
<b>Total</b>	<b>8,978</b>		<b>11,132</b>	

	Qualifying technology investments £'000	Qualifying non-technology investments £'000	Non-qualifying technology investments £'000	Non-qualifying non-technology investments £'000	Total £'000
<b>Opening valuation as at 1 January 2008</b>	2,784	7,904	4	440	11,132
Purchases at cost	420	1,631	–	33	2,084
Disposal proceeds	(1)	(2,205)	–	–	(2,206)
Realised gains/(losses)	1	787	(90)	(72)	626
Movement in loan stock accrued income	8	(11)	–	–	(3)
Unrealised (losses)/gains	(866)	(1,901)	90	22	(2,655)
<b>Closing valuation as at 31 December 2008</b>	<b>2,346</b>	<b>6,205</b>	<b>4</b>	<b>423</b>	<b>8,978</b>
<b>Movement in loan stock accrued income</b>					
Opening accumulated movement in loan stock accrued income	70	445	–	–	515
Movement in loan stock accrued income	8	(11)	–	–	(3)
<b>Closing accumulated movement in loan stock accrued income</b>	<b>78</b>	<b>434</b>	<b>–</b>	<b>–</b>	<b>512</b>
<b>Movement in unrealised losses</b>					
Opening accumulated unrealised losses	(1,014)	(858)	(132)	(88)	(2,092)
Reversal of previously unrealised (gains)/losses on disposal	(2)	(178)	90	72	(18)
Movement in unrealised losses	(864)	(1,723)	–	(50)	(2,637)
<b>Closing accumulated unrealised losses</b>	<b>(1,880)</b>	<b>(2,759)</b>	<b>(42)</b>	<b>(66)</b>	<b>(4,747)</b>
<b>Historic cost basis</b>					
Opening book cost	3,728	8,317	136	528	12,709
Purchases at cost	420	1,631	–	33	2,084
Sales at cost	–	(1,418)	(90)	(72)	(1,580)
<b>Closing book cost</b>	<b>4,148</b>	<b>8,530</b>	<b>46</b>	<b>489</b>	<b>13,213</b>

Fixed asset investments held at fair value through the profit or loss account total £2,156,000 (2007: £4,030,000). Investments held at amortised cost total £8,822,000 (2007: £7,102,000). There has been no re-designation of fixed asset investments during the year.

There was one material disposal during the year, of the investment in Grosvenor Health Limited, and one material partial disposal of loan stock during the year of The Q Garden Company Limited. The net disposal proceeds of Grosvenor Health Limited were £1,025,000 compared with a cost of £435,000 and an opening carrying value as at 1 January 2008, of £912,000. The net disposal proceeds for the loan stock in The Q Garden Company Limited was £900,000, compared with a cost of £667,000 and an opening carrying value as at 1 January 2008, of £463,000.

## Notes to the Financial Statements continued

### 12. Fixed asset investments (continued)

#### C shares

	31 December		31 December	
	2008		2007	
	£'000		£'000	
Qualifying technology investments	6,048		5,321	
Qualifying non-technology investments	11,392		8,872	
Non-qualifying non-technology investments	494		-	
<b>Total</b>	<b>17,934</b>		<b>14,193</b>	
	Qualifying technology investments £'000	Qualifying non-technology investments £'000	Non-qualifying non-technology investments £'000	Total £'000
<b>Opening valuation as at 1 January 2008</b>	5,321	8,872	-	14,193
Purchases at cost	1,332	5,861	494	7,687
Disposal proceeds	-	(338)	-	(338)
Realised gains	-	63	-	63
Movement in loan stock accrued income	95	35	-	130
Unrealised losses	(700)	(3,101)	-	(3,801)
<b>Closing valuation as at 31 December 2008</b>	<b>6,048</b>	<b>11,392</b>	<b>494</b>	<b>17,934</b>
<b>Movement in loan stock accrued income</b>				
Opening accumulated movement in loan stock accrued income	99	191	-	290
Movement in loan stock accrued income	95	35	-	130
<b>Closing accumulated movement in loan stock accrued income</b>	<b>194</b>	<b>226</b>	<b>-</b>	<b>420</b>
<b>Movement in unrealised losses</b>				
Opening accumulated unrealised losses	(411)	(152)	-	(563)
Reversal of previously unrealised gains on disposal	-	(37)	-	(37)
Movement in unrealised losses	(700)	(3,064)	-	(3,764)
<b>Closing accumulated unrealised losses</b>	<b>(1,111)</b>	<b>(3,253)</b>	<b>-</b>	<b>(4,364)</b>
<b>Historic cost basis</b>				
Opening book cost	5,633	8,833	-	14,466
Purchases at cost	1,332	5,861	494	7,687
Sales at cost	-	(275)	-	(275)
<b>Closing book cost</b>	<b>6,965</b>	<b>14,419</b>	<b>494</b>	<b>21,878</b>

Fixed asset investments held at fair value through the profit or loss account total £5,938,000 (2007: £6,640,000). Investments held at amortised cost total £11,996,000 (2007: £7,553,000). There has been no re-designation of fixed asset investments during the year.

There was one material disposal during the year, of the investment in Grosvenor Health Limited. The net disposal proceeds were £345,000 compared with a cost of £275,000 and an opening carrying value as at 1 January 2008, of £312,000.

#### Fixed asset investment class valuation methodologies

Quoted equity investments (both qualifying and non-qualifying) are valued at market bid price as at the balance sheet date.

Unquoted loan stock investments are valued on an amortised cost basis. Loan stock in the Ordinary share portfolio using a fixed interest rate total £6,723,000 (2007: £6,476,000) and in the C share portfolio total £10,363,000 (2007: £5,987,000).

Loan stock in the Ordinary share portfolio valued using a floating rate total £99,000 (2007: £626,000) and C share portfolio valued using a floating rate total £1,633,000 (2007: £1,566,000).

The Directors believe that the carrying value of loan stock, valued using amortised cost, is not materially different to fair value.

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

## Notes to the Financial Statements continued

### 12. Fixed asset investments (continued)

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

Investment methodology	31 December 2008			31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
Cost (reviewed for impairment)	358	1,929	2,287	499	3,606	4,105
Net asset value	287	770	1,057	947	1,189	2,136
Recent investment price	663	2,425	3,088	471	387	858
Earning multiple	564	814	1,378	1,566	1,458	3,024
	<b>1,872</b>	<b>5,938</b>	<b>7,810</b>	<b>3,483</b>	<b>6,640</b>	<b>10,123</b>

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

	31 December 2008			31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
Unquoted equity	1,839	5,640	7,479	3,444	6,434	9,878
Quoted equity	284	-	284	547	-	547
Unquoted equity derived instruments	16	88	104	39	206	245
Unquoted loan stock	6,822	11,996	18,818	7,102	7,553	14,655
Warrants and convertibles	17	210	227	-	-	-
	<b>8,978</b>	<b>17,934</b>	<b>26,912</b>	<b>11,132</b>	<b>14,193</b>	<b>25,325</b>

The Ordinary shares portfolio had the following movements between investment methodologies between 31 December 2007 and 31 December 2008:

Change in investment methodology (2007 to 2008)	Value as at 31 December 2008 £'000	Explanatory note
Cost (reviewed for impairment) to net asset value	6	Investment held at cost for the first year
Cost (reviewed for impairment) to recent investment price	123	Investment held at cost for the first year
Cost (reviewed for impairment) to earnings multiple	21	Investment held at cost for the first year
Recent investment price to earnings multiple	100	Recent investment price no longer current
Earnings multiple to recent investment price	388	Most recent price

The C shares portfolio had the following movements between investment methodologies between 31 December 2007 and 31 December 2008:

Change in investment methodology (2007 to 2008)	Value as at 31 December 2008 £'000	Explanatory note
Cost (reviewed for impairment) to net asset value	56	Investment held at cost for the first year
Cost (reviewed for impairment) to recent investment price	956	Investment held at cost for the first year
Cost (reviewed for impairment) to earnings multiple	216	Investment held at cost for the first year
Earnings multiple to recent investment price	417	Most recent price

In the absence of a more appropriate valuation methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to 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 2008.

## Notes to the Financial Statements continued

### 13. 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 investee 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 Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the investee companies as at 31 December 2008 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Xceleron Limited	Great Britain	Bio-analytical services	26.0% A Ordinary	16.2%
Evolutions Television Limited	Great Britain	Television and post production	27.0% A Ordinary	11.1%
The Q Garden Company Limited	Great Britain	Garden centre operator	67.0% A Ordinary	33.3%
Consolidated PR Limited	Great Britain	Public relations agency	50.0% A Ordinary	12.8%
Smiles Pub Company Limited	Great Britain	Owner of residential property	22.6% A Ordinary	22.6%
Blackbay Limited	Great Britain	Mobile data solutions	24.2% A Ordinary	7.9%

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

### 14. Current assets include the following:

Debtors	31 December 2008			31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
Prepayments and accrued income	2	115	117	15	136	151
Interclass debtor	355	-	355	101	-	101
Other debtors	357	696	1,053	107	-	107
	<u>714</u>	<u>811</u>	<u>1,525</u>	<u>223</u>	<u>136</u>	<u>359</u>

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

Current asset investment	31 December 2008			31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
The Royal Bank of Scotland FRN January 2009	-	4,984	4,984	-	4,994	4,994
Rabobank FRN July 2010	-	4,954	4,954	-	4,980	4,980
Abbey National FRN September 2008	-	-	-	-	4,993	4,993
	<u>-</u>	<u>9,938</u>	<u>9,938</u>	<u>-</u>	<u>14,967</u>	<u>14,967</u>

The investment in the Royal Bank of Scotland and Rabobank floating rate note represents money held for investment. The floating rate note can be converted to cash within five working days. Floating rate notes were classified as fixed assets in the prior year and have been reclassified to current asset investments in the current year.

### 15. Creditors: amounts falling due within one year

	31 December 2008			31 December 2007		
	Ordinary shares £'000	C shares £'000	Total £'000	Ordinary shares £'000	C shares £'000	Total £'000
UK corporation tax payable	42	88	130	73	216	289
Interclass creditor	-	355	355	-	101	101
Accruals and deferred income	37	49	86	140	306	446
Other creditors	-	28	28	5	27	32
	<u>79</u>	<u>520</u>	<u>599</u>	<u>218</u>	<u>650</u>	<u>868</u>

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

## Notes to the Financial Statements continued

### 16. Called up share capital

	31 December 2008 £'000	31 December 2007 £'000
<b>Authorised</b>		
70,000,000 Ordinary shares of 50p each (2007: 70,000,000)	35,000	35,000
40,000,000 C shares of 50p each (2007: 40,000,000)	20,000	20,000
	<u>55,000</u>	<u>55,000</u>
<b>Allotted, called up and fully paid</b>		
13,702,045 Ordinary shares of 50p each (2007: 13,591,015)	6,851	6,795
35,618,841 C shares of 50p each (2007: 35,479,122)	17,809	17,740
	<u>24,660</u>	<u>24,535</u>
<b>Allotted, called up and fully paid excluding treasury shares</b>		
12,971,408 Ordinary shares of 50p each (2007: 13,317,542)	6,486	6,659
35,580,045 C shares of 50p each (2007: 35,479,122)	17,790	17,740
	<u>24,276</u>	<u>24,399</u>

The Company purchased 457,164 Ordinary shares (2007: 216,862) to be held in treasury at a cost of £431,000 (2007: £226,000) and 38,796 C shares (2007: nil) at a cost of £30,000 (2007: £nil) to be held in treasury and representing 3.4 per cent and 0.1 per cent, respectively of the shares in issue (excluding treasury shares) as at 1 January 2008. The shares purchased for treasury were funded from the Ordinary shares and C shares Own treasury shares reserve. The Company holds a total of 730,637 Ordinary shares and 38,796 C shares in treasury, representing 5.6 per cent, and 0.1 per cent, respectively of the Ordinary and C shares in issue (excluding treasury shares) as at 31 December 2008.

Under the Dividend Reinvestment Scheme Circular dated 18 April 2008, the following Ordinary shares and C shares, of nominal value 50 pence were allotted.

Date of allotment	Number of shares allotted		Aggregate nominal value of shares £'000		Consideration received £'000		Opening market price per share on allotment date Pence per share	
	Ordinary shares	C shares	Ordinary shares	C shares	Ordinary shares	C shares	Ordinary shares	C shares
30 May 2008	20,976	40,654	10	20	23	37	98.5	88.0
3 October 2008	27,103	49,618	14	25	29	44	83.5	76.0
30 December 2008	62,951	49,447	31	25	60	41	70.0	67.0

### 17. Net asset value per share

	31 December 2008		31 December 2007	
	Ordinary shares pence	C shares pence	Ordinary shares pence	C shares pence
Net asset value per share	<u>86.8</u>	<u>79.8</u>	<u>114.1</u>	<u>92.7</u>

The 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 the treasury shares of 12,971,408 Ordinary shares (2007: 13,317,542) and 35,580,045 C shares (2007: 35,479,122) in issue at 31 December 2008.

### 18. Analysis of changes in cash during the year

	Year ended 31 December 2008		Year ended 31 December 2007	
	Ordinary shares £'000	C shares £'000	Ordinary shares £'000	C shares £'000
	Opening cash balances	4,056	4,229	2,486
Net cash (outflow)/inflow	<u>(2,409)</u>	<u>(4,017)</u>	<u>1,570</u>	<u>2,084</u>
Closing cash balances	<u>1,647</u>	<u>212</u>	<u>4,056</u>	<u>4,229</u>

## Notes to the Financial Statements continued

### 19. Reconciliation of net return on ordinary activities before taxation to net cash inflow from operating activities

	Year ended		Year ended	
	31 December 2008		31 December 2007	
	Ordinary shares £'000	C shares £'000	Ordinary shares £'000	C shares £'000
Revenue return on ordinary activities before taxation	773	1,436	738	1,538
Investment management fee charged to capital	(281)	(631)	(340)	(725)
Recoverable VAT capitalised	182	249	-	-
Movement in accrued amortised loan stock interest	3	(130)	(196)	(202)
(Increase)/decrease in debtors	(238)	(335)	(12)	40
(Decrease)/increase in creditors	(109)	(259)	10	33
Interclass account movement	(254)	(84)	(100)	288
<b>Net cash inflow from operating activities</b>	<b>76</b>	<b>246</b>	<b>100</b>	<b>972</b>

The interclass account movement is different between classes due to payments made on behalf of the C shares by Ordinary shares immediately prior to the year end.

### 20. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares and C shares as described in note 16. The Company is permitted to buy-back its own shares for cancellation or treasury purposes, and this is described in more detail on page 29 of the Directors' Report and Enhanced Business Review.

The Company's financial instruments comprise equity and loan stock investments in unquoted companies, equity in AIM quoted companies, floating rate notes, cash balances and short term debtors and creditors which arise from its operations. The main purpose of these financial instruments is to generate cashflow and revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short term creditors. The Company does not use any derivatives for the management of its balance sheet.

The principal risks arising from the Company's operations are:

- Investment (or market) risk (which comprises investment price and cash flow interest rate risk);
- credit risk; and
- liquidity risk.

The Board regularly reviews and agrees policies for managing each of these risks. There have been no changes in the nature of the risks that the Company has faced during the past year, and 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 unquoted and in quoted investments, details of which are shown on pages 25 to 26. 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 investee company and the dynamics of market quoted comparaters. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment risk.

# Notes to the Financial Statements continued

## 20. Capital and financial instruments risk management (continued)

### Investment risk (continued)

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

The Board monitors the prices at which sales of investments are made to ensure that profits to the Company are maximised, and that valuations of investments retained within the portfolio appear sufficiently prudent and realistic compared to prices being achieved in the market for sales of unquoted investments.

The maximum investment risk as at the balance sheet date is the value of the fixed and current asset investment portfolio which is £8,978,000 (2007: £11,132,000) for Ordinary shares and £27,872,000 for the C shares (2007: £29,160,000). Fixed and current asset investments form 80 per cent. of the Ordinary share net asset value as at 31 December 2008 (2007: 73 per cent.) and 98 per cent. of the C share net asset value as at 31 December 2008 (2007: 89 per cent.).

More details regarding the classification of fixed and current asset investments are shown in Notes 12 and 14.

### Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of Investments section on pages 11 to 16 and in the Manager's Report.

In accordance with the IPEVCV Guidelines, in the absence of a more appropriate methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to 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 reasonable possible alternative methods of valuation of the investments as at 31 December 2008.

As required under FRS 29 "Financial Instruments: Disclosures", the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed and current 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. increase or decrease in the valuation of the fixed and current asset investments (keeping all other variables constant) would increase or decrease the net asset value and return for the year of Ordinary shares by £898,000 (2007: £1,113,000) and for C shares by £2,787,000 (2007: £2,916,000).

### Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced total return before tax for the year by approximately 4 per cent. for the Ordinary shares (2007: 3 per cent.) and 7 per cent. for the C shares (2007: 76 per cent.).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 7.43 per cent. (2007: 9.26 per cent.) for the Ordinary shares and 8.29 per cent. for the C shares (2007: 10.35 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 2.81 years for the Ordinary shares and approximately 3.83 years for the C shares (2007: 2.60 years for the Ordinary shares and 4.19 years for C shares).

### 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 floating rate notes and cash on deposit with banks.

The Manager evaluates credit risk on loan stock and floating rate note 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 investee company in order to mitigate the gross credit risk. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment specific credit risk.

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

## Notes to the Financial Statements continued

### 20. Capital and financial instruments risk management (continued)

#### Credit risk (continued)

The Manager and the Board formally review credit risk (including debtors) and other risks, both at the time of initial investment and at quarterly Board meetings.

The Company's total gross credit risk for Ordinary shares at 31 December 2008 was limited to £6,822,000 (2007: £7,102,000) of unquoted loan stock instruments and £1,647,000 (2007: £4,056,000) cash deposits with banks.

The Company's total gross credit risk for C shares at 31 December 2008 is limited to £11,996,000 (2007: £7,553,000) of unquoted loan stock instruments, £9,938,000 (2007: £14,967,000) of floating rate notes and £212,000 (2007: £4,229,000) cash deposits with banks.

As at the balance sheet date, the cash held by the Company is held with the Royal Bank of Scotland plc, Bank of Scotland plc and LloydsTSB plc, HSBC plc and BNP Paribas Securities Services Custody Bank Limited. Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to regulatory supervision, with Moody's credit ratings of at least 'A' or equivalent as assigned by international credit-rating agencies.

As at the year end the Company held two floating rate notes with Royal Bank of Scotland plc and Rabobank totalling £9,938,000. The Royal Bank of Scotland floating rate note matured in January 2009.

#### Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account and as floating rate notes. 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 £1,126,000 for Ordinary shares (2007: £1,519,000) and £2,838,000 for C shares (2007: £3,288,000) as at 31 December 2008.

The Company has no committed borrowing facilities as at 31 December 2008 (2007: £nil). Ordinary shares had cash balances of £1,647,000 (2007: £4,056,000) and C share cash balances were £212,000 (2007: £4,229,000) together with £9,938,000 (2007: £14,967,000) invested in floating rate notes, which are considered to be readily realisable within the timescales required to make cash available for investment. 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 the Company's financial liabilities are short term in nature and total £79,000 for the Ordinary shares (2007: £218,000) and £520,000 for the C shares (2007: £650,000) at 31 December 2008.

In view of this, 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 2008 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, which are carried at amortised cost, in accordance with FRS 26. The Directors believe that the current carrying value of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

The Company's financial assets and liabilities as at 31 December 2008, all denominated in pounds sterling, consist of the following:

#### Ordinary shares

	31 December 2008				31 December 2007			
	Fixed rate	Floating rate	Non-interest bearing	Total	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted equity	-	-	1,872	1,872	-	-	3,482	3,482
Quoted equity	-	-	284	284	-	-	548	548
Unquoted loan stock	6,713	99	10	6,822	6,827	275	-	7,102
Debtors	-	-	714	714	-	-	223	223
Current liabilities	-	-	(79)	(79)	-	-	(218)	(218)
Cash	-	1,647	-	1,647	-	4,056	-	4,056
<b>Total net assets</b>	<b>6,713</b>	<b>1,746</b>	<b>2,801</b>	<b>11,260</b>	<b>6,827</b>	<b>4,331</b>	<b>4,035</b>	<b>15,193</b>

## Notes to the Financial Statements continued

### 20. Capital and financial instruments risk management (continued)

#### C shares

	31 December 2008				31 December 2007			
	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	-	-	5,938	5,938	-	-	6,640	6,640
Unquoted loan stock	10,363	1,633	-	11,996	5,997	1,556	-	7,553
Floating rate notes	-	9,938	-	9,938	-	14,967	-	14,967
Debtors	-	-	811	811	-	-	136	136
Current liabilities	-	-	(520)	(520)	-	-	(650)	(650)
Cash	-	212	-	212	-	4,229	-	4,229
<b>Total net assets</b>	<b>10,363</b>	<b>11,783</b>	<b>6,229</b>	<b>28,375</b>	<b>5,997</b>	<b>20,752</b>	<b>6,126</b>	<b>32,875</b>

#### Ordinary shares

The carrying value of loan stock investments held at amortised cost at 31 December 2008 is as follows:

Redemption date	Fully performing loan stock £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	137	-	178	315
1-2 years	1,261	443	627	2,331
2-3 years	692	82	271	1,045
3-5 years	2,026	470	635	3,131
<b>Total</b>	<b>4,116</b>	<b>995</b>	<b>1,711</b>	<b>6,822</b>

The carrying value of loan stock investments held at amortised cost at 31 December 2007 is as follows:

Redemption date	Fully performing loan stock £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	36	-	548	584
1-2 years	1,041	-	228	1,269
2-3 years	1,177	858	556	2,591
3-5 years	1,505	1,048	105	2,658
<b>Total</b>	<b>3,759</b>	<b>1,906</b>	<b>1,437</b>	<b>7,102</b>

The cost, impairment and carrying value of impaired loan stocks held at amortised cost at 31 December 2008 and 31 December 2007 are as follows:

	Year ended 31 December 2008			Year ended 31 December 2007		
	Cost £'000	Impairment £'000	Carrying value £'000	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stocks	3,004	(1,293)	1,711	2,086	(649)	1,437

Impaired loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the investee company and the Board deem the security value to be the carrying value.

## Notes to the Financial Statements continued

### 20. Capital and financial instruments risk management (continued)

#### C shares

The carrying value of loan stock investments held at amortised cost at 31 December 2008 is as follows:

Redemption date	Fully performing loan stock £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	761	486	60	1,307
3-5 years	4,969	5,218	502	10,689
<b>Total</b>	<b>5,730</b>	<b>5,704</b>	<b>562</b>	<b>11,996</b>

The carrying value of loan stock investments held at amortised cost at 31 December 2007 is as follows:

Redemption date	Fully performing loan stock £'000	Past due loan stock <sup>a</sup> £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	-	-	-	-	-
1-2 years	-	-	-	-	-
2-3 years	-	-	-	-	-
3-5 years	4,072	1,549	1,902	30	7,553
<b>Total</b>	<b>4,072</b>	<b>1,549</b>	<b>1,902</b>	<b>30</b>	<b>7,553</b>

(i) Interest (not capital) is overdue.

The cost, impairment and carrying value of impaired loan stocks held at amortised cost at 31 December 2008 and 31 December 2007 are as follows:

	31 December 2008			31 December 2007		
	Cost £'000	Impairment £'000	Carrying value £'000	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stocks	860	(298)	562	60	(30)	30

Impaired loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the investee company and the Board deem the security value to be the carrying value.

The table below details the carrying value of loan stock that owes £31,000 in overdue loan stock interest as at 31 December 2007. This interest was repaid in 2008 and is no longer outstanding.

	31 December 2008		31 December 2007	
	Ordinary shares £'000	C shares £'000	Ordinary shares £'000	C shares £'000
Less than 3 months	-	-	-	-
3-6 months	-	-	-	-
6-9 months	-	-	-	1,549
9-12 months	-	-	-	-
More than 1 year	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,549</b>

# Notes to the Financial Statements continued

## 21. Post balance sheet events

Since 31 December 2008 the Company has had the following post balance sheet events:

- Change of Manager from Close Ventures Limited to Albion Ventures LLP on 23 January 2009
- Change of name from Close Technology & General VCT PLC to Albion Technology & General VCT PLC by a General Meeting held on 25 March 2009
- Investment in Forth Photonics Limited of £420,000
- Investment in Xceleron Limited of £64,410
- Value added tax and interest recovered from HMRC of £621,000
- Investment in Vibrant Energy Surveys Limited of £74,177
- The Company's investment in Resorthoppa Limited was acquired by Lowcosttravelgroup Limited, another investment held by the Company on 22 January 2009
- Disposal of Tepnel Life Sciences plc for £444,000. Carrying value at 31 December 2008 was £272,000, generating an uplift on the year end valuation of £172,000
- Offer for Pilat Media Global plc shares of £183,000. Carrying value at 31 December 2008 was £61,000
- Investment in Prime Care Holdings Limited of £193,000
- Investment in Helveta Limited of £35,000
- Investment in Rostimia Limited of £99,000

## 22. Contingencies, guarantees and financial commitments

At 31 December 2008 there is a third party charge of deposit dated 8 September 2006, granted to National Westminster Bank PLC relating to a loan facility advanced by the Bank to an investee company. As at 31 December 2008, the funds held within the specific account were £nil (2007: £324,000).

The Company has given a third party charge of deposit dated 31 January 2005 to The Royal Bank of Scotland plc in respect of the borrowing of investee companies. As at 31 December 2008 the maximum exposure under these guarantees was £nil (2007: £1,949,000).

These guarantees are secured by a third party charge of deposit over specific bank accounts with balances of £nil (2007: £1,949,000). This security would be enforced in the event of a default by the investee company. The Company did not have any other contingencies at 31 December 2008.

## 23. Related party transactions

The Manager, Albion Ventures LLP, is considered to be a related party by virtue of the fact that it is party to a Management Agreement from the Company (details disclosed on page 26 of this report). During the year, services of a total value of £1,216,000 (2007: £1,420,000) were purchased by the Company from Albion Ventures LLP. At the financial year end, the amount due to Albion Ventures LLP disclosed as other creditors was £12,000 (2007: £347,000).

Buy-backs of Ordinary shares and C shares during the year were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc (detail is disclosed in Note 16 of this report).

Albion Ventures LLP has reclaimed VAT from HMRC as described in note 6. A sum of £575,000 has been recognised in the Income Statement for the year reflecting a gross receipt of £621,000, less a creditor for £46,000 in respect of related historic management and performance fees to be paid to Albion Ventures LLP.

Patrick Reeve is the Managing Partner of the Manager, Albion Ventures LLP. During the year, the Company was charged by Albion Ventures LLP £20,000 in respect of his services as a Director (2007: £20,000). At the year end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals and deferred income was £nil (2007: £5,000).

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 Technology & General VCT PLC (the "Company") will be held at The Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, London EC2M 4TH on 19 June 2009 at 12 noon for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 6 will be proposed as ordinary resolutions and numbers 7 – 10 as special resolutions.

1. To receive the Company's accounts for the year ended 31 December 2008 together with the report of the Directors and Auditors.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2008.
3. To re-elect Patrick Reeve as a Director of the Company.
4. To re-appoint PKF (UK) LLP as Auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.
5. To authorise the Directors to agree the Auditors' remuneration.
6. That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount in the case of issued Ordinary share capital of £648,570 and, in the case of issued C share capital of £1,779,002, such authority to expire on 19 December 2010 but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired.
7. That subject to and conditional on the passing of resolution number 6, the Directors may be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution number 6 as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - 7.1 in connection with an offer of such securities by way of rights issue;
  - 7.2 in connection with any dividend reinvestment scheme introduced and operated by the Company; and
  - 7.3 otherwise than pursuant to sub-paragraph Clause 7.1 and 7.2 above up to an aggregate nominal amount in the case of issued Ordinary share capital of £324,285 and, in the case of issued C share capital of £889,501, and shall expire on 19 December 2010, 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 requirement of any recognised regulatory body or any stock exchange in, any territory.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94 (3A) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 6" were omitted.

## Notice of Annual General Meeting continued

8. That subject to and in accordance with Article 10 of the Company's Articles of Association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of Ordinary shares of 50p each in the capital of the Company ("Ordinary shares") and C shares of 50p each in the capital of the Company ("C shares") on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 162D of the Act, provided that:
- the maximum number of shares hereby authorised to be purchased is 1,944,414 Ordinary shares and 5,333,449 C shares;
  - the minimum price, exclusive of any expenses, which may be paid for a share is 50p;
  - the maximum price, exclusive of any expenses, which may be paid for each share is an amount equal to the higher of: (a) 105 per cent of the average of the middle market quotations for a share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and
  - the authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next annual general meeting of the Company or eighteen months from the date of the passing of the resolution, whichever is earlier (except in relation to the purchase of shares, the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry).
9. That with immediate effect, the Articles of Association of the Company contained in the document produced to the meeting (and signed by the Chairman for the purposes of identification) be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.
10. That with effect from 00.01 am on 1 October 2009:
- the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
  - the Articles of Association of the Company contained in the document produced to the meeting (and signed by the Chairman for the purposes of identification) be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

BY ORDER OF THE BOARD

  
**Albion Ventures LLP**  
Company Secretary

Registered office  
1 King's Arms Yard  
London  
EC2R 7AF

9 April 2009

Registered in England and Wales with number 4114310

# Notice of Annual General Meeting continued

## Notes

- 1 This notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 to enjoy information rights. Members will find an admission/voting card and a proxy form enclosed with this notice. If you are attending the meeting, you should bring the admission card with you.
- 2 Only holders of Ordinary shares or C shares, or their duly appointed representatives, are entitled to attend, vote and speak at the meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend, speak and vote on his/her behalf. A proxy form is enclosed with this Notice. To be valid a proxy appointment must reach the office of the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours before the time fixed for the meeting or any adjournment thereof.
- 3 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered member who hold shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- 4 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members on the register of members of the Company as at 12 noon on 17 June 2009 (or, if the meeting is adjourned, members on the register of members not later than 48 hours before the time fixed for the adjourned meeting) are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 5 Copies of letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the Annual General Meeting, and at the place of the meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion. In addition, a copy of the new Articles of Association will be available for inspection at the Company's registered office and at the place of the meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.
- 6 Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to:
  - the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or
  - any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.