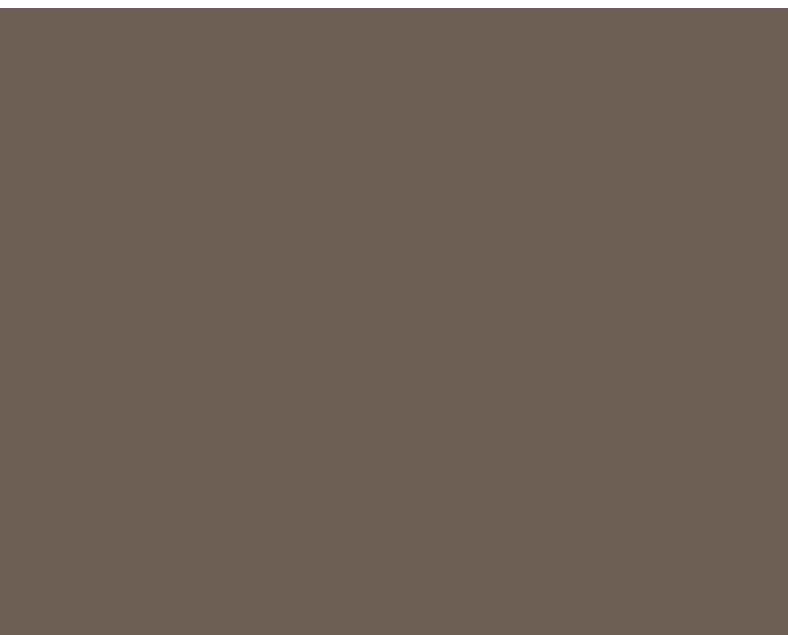


# Albion Technology & General VCT PLC

Annual Report and Financial  
Statements for the year  
ended 31 December 2017



**ALBION**CAPITAL



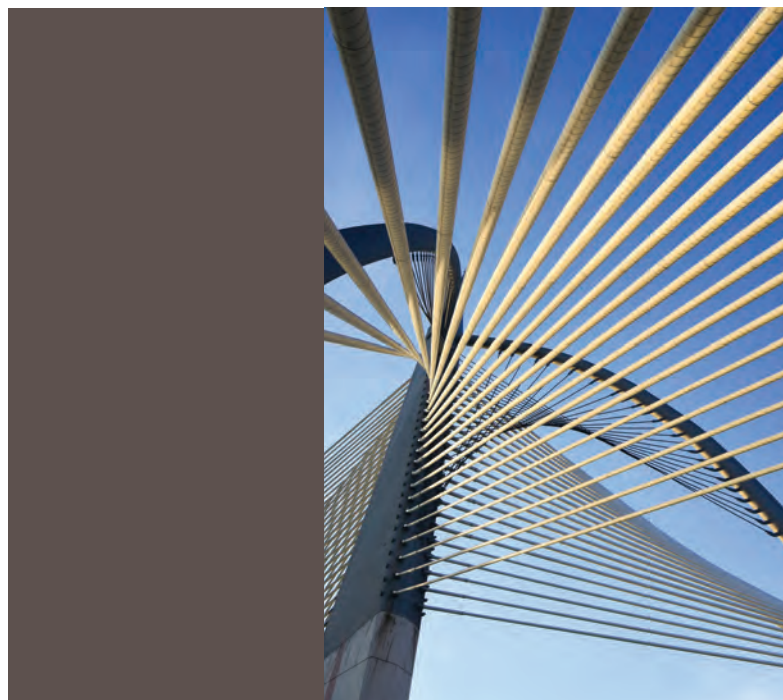


# Contents

---

## Page

2	Company information
3	Investment objective and policy
4	Background to the Company
4	Financial calendar
5	Financial summary
7	Chairman's statement
10	Strategic report
17	The Board of Directors
18	The Manager
20	Portfolio of investments
23	Portfolio companies
28	Directors' report
33	Statement of Directors' responsibilities
34	Statement of corporate governance
39	Directors' remuneration report
42	Independent Auditor's report
47	Income statement
48	Balance sheet
49	Statement of changes in equity
50	Statement of cash flows
51	Notes to the Financial Statements
65	Notice of Annual General Meeting



# Company information

---

<b>Company number</b>	04114310
<b>Directors</b>	Dr N E Cross, Chairman R Archibald M A Cordeiro M V H Rees-Mogg P H Reeve
<b>Country of incorporation</b>	United Kingdom
<b>Legal form</b>	Public Limited Company
<b>Manager, company secretary, AIFM and registered office</b>	Albion Capital Group LLP 1 King's Arms Yard London, EC2R 7AF
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
<b>Auditor</b>	BDO LLP 55 Baker Street London, W1U 7EU
<b>Taxation adviser</b>	Philip Hare & Associates LLP 1st Floor 4 Staple Inn London, WC1V 7QH
<b>Legal adviser</b>	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP

Albion Technology & General VCT PLC is a member of The Association of Investment Companies ([www.theaic.co.uk](http://www.theaic.co.uk)).

<b>Shareholder information</b>	<p>For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC: Tel: 0370 873 5854 (UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri, calls may be recorded) Website: <a href="http://www.investorcentre.co.uk">www.investorcentre.co.uk</a></p> <p>Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.</p>
<b>Financial adviser information</b>	<p>For enquiries relating to the performance of the Company, and information for financial advisers please contact Albion Capital Group LLP: Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded) Email: <a href="mailto:info@albion.capital">info@albion.capital</a> Website: <a href="http://www.albion.capital">www.albion.capital</a></p> <p><b>Please note that these contacts are unable to provide financial or taxation advice.</b></p>

# Investment objective and policy

---

## Investment objective

The Company's investment objective is to provide investors with a regular and predictable source of dividend income, combined with the prospect of long-term capital growth, through a balanced portfolio of unquoted growth and technology businesses in a qualifying venture capital trust.

The Company's current general investment policy is as follows:

### *Investment policy*

*It is intended that the Company's VCT qualifying 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 good quality new investments arising within the UK technology and non-technology sectors. In neither categories listed above would portfolio 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 portfolio company's assets.*

*The Company pursues a longer term investment approach, with a view to providing shareholders with a strong, predictable dividend flow, combined with the prospects of capital growth. This is achieved in two ways. First, by controlling the Company's exposure to technology risk through ensuring that many of the companies in the non-technology portfolio have property as their major asset, with no external borrowings. Second, by balancing the investment portfolio by sector, so that those areas such as leisure and business services, which are susceptible to changes in consumer sentiment, are complemented by sectors with more predictable long term characteristics, such as healthcare and the environment.*

In the November 2017 Autumn Budget, a number of changes to the legislation governing venture capital trusts were announced. Those changes have now been enacted in the Finance Act 2017-19 and further information has been provided in Guidance Notes issued by HM Revenue & Customs. Some of these changes took effect from the date upon which the Finance Act received Royal Assent and others will come into force from 6 April 2018. In future, VCTs may no longer offer secured loans to portfolio companies and to qualify for VCT tax reliefs, portfolio companies must satisfy a "risk to capital condition". This means that the portfolio company must have an objective to grow and develop over the long term and there must be a significant risk that there could be a loss of capital to the VCT of an amount exceeding the net return. The overall aim of HM Treasury is to encourage more high growth investment through VCTs rather than low risk, heavily asset backed investments.

**As a result of these changes, and subject to shareholder approval, the Board is now recommending an update to the Company's general investment policy, as set out below.** The updated policy removes references to loan stock being secured by first charges and enables the Company to invest in a broad range of businesses.

### ***Proposed new investment policy***

*The Company will invest in a broad portfolio of unquoted growth and technology businesses. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified in terms of sectors and stages of maturity of portfolio companies.*

### *VCT qualifying and non-qualifying investments*

Application of the investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs ("VCT regulations"). The maximum amount invested in any one company is limited to any HMRC annual investment limits. It is intended that normally at least 80 per cent. of the Company's funds will be invested in VCT qualifying investments. The VCT regulations also have an impact on the type of investments and qualifying sectors in which the Company can make investment.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 7.5 per cent. of the Company's assets at the time of investment.

# Investment objective and policy continued

## *Risk diversification and maximum exposures*

Risk is spread by investing in a number of different businesses within VCT qualifying industry sectors using a mixture of securities. The maximum the Company will invest in a single company is 15 per cent. of the Company's assets at cost. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of investments' suitability for sale. It is possible that individual holdings may grow in value to a point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

The Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not have any intention of utilising long-term gearing.

## Background to the Company

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 has raised a further £30.9 million under the Albion VCTs Top Up Offers since January 2011.

On 15 November 2013, the Company acquired the assets and liabilities of Albion Income & Growth VCT PLC ("Income & Growth") in exchange for new shares in the Company ("the Merger") resulting in a further £28.1 million of net assets.

## Financial calendar

Record date for first dividend	1 June 2018
Annual General Meeting	11.00 am on 6 June 2018
Payment of first dividend	29 June 2018
Announcement of half-yearly results for the six months ending 30 June 2018	September 2018
Payment of second dividend (subject to Board approval)	31 December 2018

# Financial summary

166.9p

Total shareholder return per Ordinary share since launch

4.3p

Total return per share for the year ended 31 December 2017

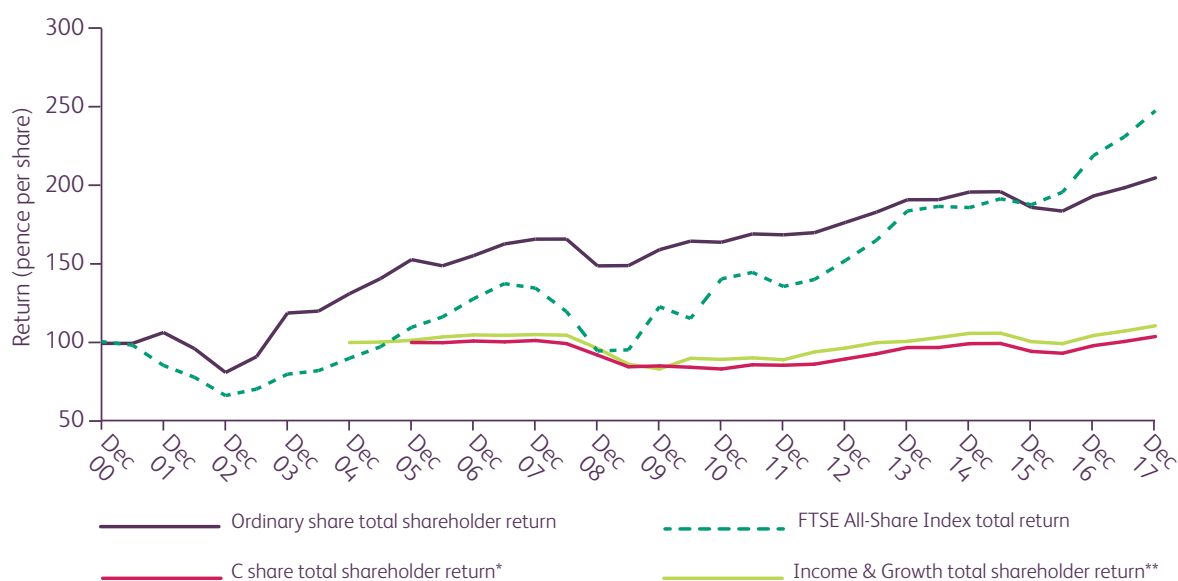
4.0p

Target tax free dividend per Ordinary share for the year ahead (4.0p per Ordinary share during the year ended 31 December 2017)

71.9p

Net asset value per Ordinary share as at 31 December 2017

**Total shareholder return relative to FTSE All-Share Index total return (with dividends reinvested)**



Source: Albion Capital Group LLP

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

\*The C shares converted to Ordinary shares on 31 March 2011 on the basis of their respective net asset values, with each C shareholder receiving 0.7779 Ordinary shares for each C share they owned.

\*\* Albion Income & Growth VCT PLC was merged with the Company on 15 November 2013 on the basis of their respective net asset values, with each Income & Growth shareholder receiving 0.7813 Ordinary shares in the Company for each Income & Growth share they owned.

# Financial summary continued

	31 December 2017 (pence per share)	31 December 2016 (pence per share)
Dividends paid	4.0	5.0
Revenue return	0.2	0.8
Capital return	4.1	1.7
Net asset value	71.9	71.6

## Total shareholder return to 31 December 2017:

	Ordinary share (pence per share) <sup>(i)</sup>	C share (pence per share) <sup>(i)(ii)</sup>	Income & Growth (pence per share) <sup>(i)(iii)</sup>
Total dividends paid during the year ended:			
31 December 2001	1.0	–	–
31 December 2002	2.0	–	–
31 December 2003	1.5	–	–
31 December 2004	7.5	–	–
31 December 2005	9.0	–	0.6
31 December 2006	8.0	0.5	2.6
31 December 2007	8.0	2.5	3.5
31 December 2008	16.0	4.5	3.5
31 December 2009	–	1.0	3.0
31 December 2010	8.0	3.0	3.0
31 December 2011	5.0	3.8	3.5
31 December 2012	5.0	3.9	3.5
31 December 2013	5.0	3.9	3.5
31 December 2014	5.0	3.9	3.9
31 December 2015	5.0	3.9	3.9
31 December 2016	5.0	3.9	3.9
31 December 2017	4.0	3.1	3.1
<b>Total dividends paid to 31 December 2017</b>	<b>95.0</b>	<b>37.9</b>	<b>41.5</b>
Net asset value as at 31 December 2017	71.9	55.9	56.2
<b>Total shareholder return to 31 December 2017</b>	<b>166.9</b>	<b>93.8</b>	<b>97.7</b>

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 December 2018 of 2.0 pence per share to be paid on 29 June 2018 to shareholders on the register on 1 June 2018.

### Notes

- (i) Excludes tax benefits upon subscription.
- (ii) The C shares were converted into Ordinary shares on 31 March 2011. The net asset value per share and all dividends paid subsequent to the conversion of the C shares to the Ordinary shares are multiplied by the conversion factor of 0.7779 in respect of the C shares' return, in order to give an accurate picture of the shareholder value since launch relating to the C shares.
- (iii) Albion Income & Growth VCT PLC was merged with Albion Technology & General VCT PLC on 15 November 2013. The net asset value per share and all dividends paid subsequent to the merger of the Income & Growth shares to the Ordinary shares are multiplied by the issue ratio of 0.7813 in respect of the Income & Growth shares' return, in order to give an accurate picture of the shareholder value since launch relating to the Income & Growth shares. Prior to the merger, Albion Income & Growth VCT PLC had a financial year end of 30 September and as such, the above dividends per share relate to the relevant period.



# Chairman's statement



Dr. Neil Cross  
Chairman



“a total return of 4.3 pence per share more than covering the 4.0 pence per share dividend”

## Introduction

The results for Albion Technology & General VCT PLC for the year to 31 December 2017 show a continued recovery, with a total return of 4.3 pence per share more than covering the 4.0 pence per share dividend. The majority of the divestments under the recovery plan initiated three years ago have been carried out, leaving the Company in a better position to progress further.

## Investment portfolio

The results for the year showed net gains on investments of just over £5.1 million, against gains of £2.4 million for the previous year. The key elements within this included sharp rises in the values of Grapeshot and memsstar, as their businesses grow, and the successful sale of Hilson Moran, one of the leading independent building engineering consultancies, which was sold for around three times original cost.

Against this, the share price of the AIM-quoted Mi-Pay fell during the period, while slower than hoped for progress at DySIS contributed to write-downs.

Meanwhile, £4.5 million was invested in six new portfolio companies, including Women's Health (London West One) (a developer and operator of a women's health centre of excellence focussing on fertility), G. Network Communications (fibre optic broadband provider in central London), Beddlestead (developer and operator of a dedicated wedding venue in the UK) and MPP Global Solutions (provider of a digital subscription management platform). A further £2.1 million was invested in existing portfolio companies, including £500,000 in Oviva and £385,000 into Black Swan Data.

In addition to the sale of Hilson Moran, referred to above, we had a number of realisations during the year, including our health and fitness club at Weybridge, and our holdings in Blackbay and Masters Pharmaceuticals. Further details can be found in the realisations table on page 22.

Overall, 60 per cent. of the portfolio by value is now profitable, measured by earnings before interest, depreciation and tax, with a number of our investments showing strong growth in fast-developing international markets.

## Risks and uncertainties

Other than investment performance through stock selection, the key risks facing the Company are from broader economic factors, including changes to VCT rules. There is some continued growth in the UK, however, the outlook for the domestic economy following the decision to leave the EU and an uncertain global situation, continue to be the key risks affecting your Company.

The Manager has a clear focus to allocate resources to those sectors and opportunities where it believes growth can be both resilient and sustainable. The rebalancing of the portfolio has resulted in a spread of investments that is more proportionately balanced between stability and growth.

# Chairman's statement continued

A detailed analysis of the other risks and uncertainties facing the business is shown in the Strategic report on pages 15 and 16.

## Share buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in new and existing portfolio companies and for the continued payment of dividends to shareholders. The Board's policy is to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. In order to ensure that these conditions are satisfied, the Company will limit the sum available for buy-backs for the 6 month period to 30 June 2018 to £1 million. It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit. The Board continues to review the use of buy-backs and is satisfied that it is an important means of providing market liquidity for shareholders.

## Transactions with the Manager

Details of transactions that took place with the Manager during the year can be found in note 5 and principally relate to the investment management fee. As a result of the lowering of the expenses cap in 2015 to 2.75 per cent. of net assets, the investment management fee was reduced by £137,000 in the year (2016: £133,000). Additionally, Albion agreed to reduce that proportion of its management fee relating to the investment in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") by 0.75 per cent., which represents the management fee charged by OLIM. This avoids double counting of fees and resulted in a reduction of the management fee of £3,000. Further details on the investments in the OUEIF can be found in note 20.

## Results, dividends and reserves

As at 31 December 2017, the net asset value was 71.9 pence per share compared to 71.6 pence per share at 31 December 2016. The total return after tax was £4.19 million compared to £2.23 million in the year to 31 December 2016.

It was announced on 22 November 2016 that the Company's dividend target was changing to 4.0 pence per share and that it would move from paying quarterly dividends to semi-annual dividends. The Company paid dividends totalling 4.0 pence per share during the financial year, in line with the Company's target.

The Board has declared a first dividend for the year ending 31 December 2018, of 2.0 pence per share to be paid on 29 June 2018 to shareholders on the register on 1 June 2018. Subject to Board approval, a further dividend for the year ending 31 December 2018 will be paid in December 2018.

As noted in the Annual Report and Financial Statements for the year ended 31 December 2016, a special resolution was proposed (the 'Proposal') to shareholders to cancel the share premium reserve which was passed at the Annual General Meeting in June 2017. The Company thereafter applied to the High Court to confirm the cancellation. The initial hearing at the High Court took place on 31 October 2017, and following the final hearing on 15 November 2017, the High Court approved the Proposal. This has created additional distributable reserves of £32.6 million.



“£4.5 million was invested in six new portfolio companies ... and a further £2.1 million was invested in existing portfolio companies”

# Chairman's statement continued

---

## **Update of investment policy**

As explained more fully in the Strategic report, the Manager and Board are recommending that the investment policy be updated in light of the November 2017 Autumn Budget and the changes made to the legislation governing venture capital trusts therein. In future, VCTs may no longer offer secured loans to portfolio companies and to qualify for VCT tax reliefs, portfolio companies must satisfy a "risk to capital condition". The updated policy, therefore, removes references to loan stock being secured by first charges, enabling the Company to invest in a broad range of businesses and is compliant with current VCT regulations. This in turn will result in a decline in investment income, and thus the Company's returns will continue their current trend of being more geared to capital rather than revenue.

## **Albion VCTs Prospectus Top Up Offers**

In September 2017, the Company announced the launch of the Albion VCTs Prospectus Top Up Offers 2017/18. In aggregate, the Albion VCTs raised £32 million across five of the VCTs managed by Albion Capital Group LLP, with the Company reaching its £6 million limit.

The Company raised approximately £5.8 million during the year under the Albion VCTs Prospectus Top Up Offers 2016/2017 and approximately £3.3 million under the Albion VCTs Prospectus Top Up Offers 2017/18, with a subsequent £1.3 million after the year end. The Offers have now closed.

The funds raised by each Company pursuant to its Offer have been added to the liquid resources available for investment, putting each Company into a position to take advantage of

investment opportunities over the next two to three years. The proceeds of the Offers are being applied in accordance with the respective Companies' investment policies. The Company continues to participate in the Top Up Offers and also benefits from receipts from dividend reinvestment, the net proceeds of which are invested in new investment opportunities and to provide additional working capital in the Company. It is important that the Company continues to have cash available for future investments and the top up offers and dividend reinvestments are important sources of that capital.

## **Outlook and prospects**

I am encouraged by the constituents and overall balance of our investment portfolio. Following the restructuring of the portfolio that has taken place over the past three years, the Company now has the potential to deliver improving returns for shareholders. A number of our growth and technology businesses have excellent prospects, and although the new VCT rules will result in a gradual decline in the number of asset-based businesses, diversity will be maintained in sector spread and in stage of maturity.

**Dr. N E Cross**

Chairman

29 March 2018



# Strategic report

## Investment objective

The Company's investment objective is to provide investors with a regular and predictable source of dividend income, combined with the prospect of long-term capital growth, through a balanced portfolio of unquoted growth and technology businesses in a qualifying venture capital trust.

The Company's current general investment policy is as follows:

### *Investment policy*

*It is intended that the Company's VCT qualifying 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 good quality new investments arising within the UK technology and non-technology sectors. In neither categories listed above would portfolio 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 portfolio company's assets.*

*The Company pursues a longer term investment approach, with a view to providing shareholders with a strong, predictable dividend flow, combined with the prospects of capital growth. This is achieved in two ways. First, by controlling the Company's exposure to technology risk through ensuring that many of the companies in the non-technology portfolio have property as their major asset, with no external borrowings. Second, by balancing the investment portfolio by sector, so that those areas such as leisure and business services, which are susceptible to changes in consumer sentiment, are complemented by sectors with more predictable long term characteristics, such as healthcare and the environment.*

In the November 2017 Autumn Budget, a number of changes to the legislation governing venture capital trusts were announced. Those changes have now been enacted in the Finance Act 2017-19 and further information has been provided in Guidance Notes issued by HM Revenue & Customs. Some of these changes took effect from the date upon which the Finance Act received Royal Assent and others will come into force from 6 April 2018. In future, VCTs may no longer offer secured loans to portfolio companies and to qualify for VCT tax reliefs, portfolio companies must satisfy a "risk to capital condition". This means that the portfolio company must have an objective to grow and develop over the long term and there must be a significant risk that there could be a loss of capital to the VCT of an amount exceeding the

net return. The overall aim of HM Treasury is to encourage more high growth investment through VCTs rather than low risk, heavily asset backed investments.

**As a result of these changes, and subject to shareholder approval, the Board is now recommending an update to the Company's general investment policy, as set out below.** The updated policy removes references to loan stock being secured by first charges and enables the Company to invest in a broad range of businesses.

### ***Proposed new investment policy***

*The Company will invest in a broad portfolio of unquoted growth and technology businesses. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified in terms of sectors and stages of maturity of portfolio companies.*

### *VCT qualifying and non-qualifying investments*

Application of the investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs ("VCT regulations"). The maximum amount invested in any one company is limited to any HMRC annual investment limits. It is intended that normally at least 80 per cent. of the Company's funds will be invested in VCT qualifying investments. The VCT regulations also have an impact on the type of investments and qualifying sectors in which the Company can make investment.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 7.5 per cent. of the Company's assets at the time of investment.

### *Risk diversification and maximum exposures*

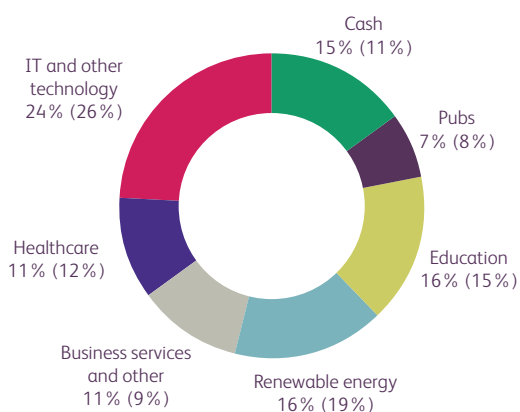
Risk is spread by investing in a number of different businesses within VCT qualifying industry sectors using a mixture of securities. The maximum the Company will invest in a single company is 15 per cent. of the Company's assets at cost. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of investments' suitability for sale. It is possible that individual holdings may grow in value to a point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

# Strategic report continued

The Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not have any intention of utilising long-term gearing.

## Current portfolio sector allocation

The following pie chart shows the split of the portfolio valuation by sector as at 31 December 2017. Details of the principal investments made by the Company are shown in the Portfolio of Investments on pages 20 to 22.



Comparatives for 31 December 2016 are in brackets  
Source: Albion Capital Group LLP

## Direction of portfolio

The Board agreed a policy with the Manager to undertake a programme to reduce the proportion of those investments which were made at the high point in the market, before 2009 and this programme, which commenced in 2015, is nearly complete. At 31 December 2017, these investments made pre-2009 amounted to £15.6 million, or 21 per cent. of the Company's assets, in line with the Company's target for the realignment of the portfolio.

The current portfolio is well balanced in terms of sectors, despite the disposal programme referred to above, with education accounting for 16 per cent., renewable energy at 16 per cent. and pubs at 7 per cent..

## Results and dividends

	Ordinary shares £'000
Net revenue return for the year ended 31 December 2017	233
Net capital gain for the year ended 31 December 2017	3,958
<b>Total return for the year ended 31 December 2017</b>	<b>4,191</b>
Dividend of 1.0 penny per share paid on 31 January 2017	(900)
Dividend of 1.0 penny per share paid on 30 June 2017	(978)
Dividend of 2.0 pence per share paid on 29 December 2017	(2,013)
<b>Transferred to reserves</b>	<b>300</b>
Net assets as at 31 December 2017	72,648
<b>Net asset value per share as at 31 December 2017</b>	<b>71.9p</b>

The Company paid dividends of 4.0 pence per share during the year ended 31 December 2017 (2016: 5.0 pence per share). The dividend objective of the Board is to provide shareholders with a strong, predictable dividend flow. The Board has declared a first dividend for the year ending 31 December 2018, of 2.0 pence per share to be paid on 29 June 2018 to shareholders on the register on 1 June 2018. As mentioned in the Half-yearly Financial Report to 30 June 2017, it is the Board's intention that two dividends are payable per annum in June and December.

As shown in the Income statement on page 47, investment income has decreased to £995,000 (2016: £1,570,000). This is in part due to the disposal of income producing investments in prior years as well as capitalising interest on a number of companies in order to fund further growth. As a result, the revenue return to equity holders has decreased to £233,000 (2016: £751,000).

The capital gain for the year was £3,958,000 (2016: £1,478,000). This is mainly attributable to uplifts in valuations for Grapeshot Limited (£1,304,000), memsstar Limited (£1,154,000) and Radnor House School (Holdings) Limited (£1,123,000) and the realised gain in the year of £535,000 on the sale of Hilson Moran Holdings Limited. These were partly offset by unrealised losses on Mi-Pay Group plc (£718,000) and DySIS Medical Limited (£362,000). The total return for the period was 4.3 pence per share (2016: 2.5 pence per share).



The Balance sheet on page 48 shows that the net asset value per share has increased over the last year to 71.9 pence per share (2016: 71.6 pence per share). The increase in net asset value is attributed to the total return of 4.3 pence per share offset by the payment of 4.0 pence per share of dividends.

The cash inflow for the year reflected the issue of new shares under the Albion VCTs Top Up Offers which raised £9.1 million and £8.2 million from the disposal of investments and receipt of deferred consideration. This was utilised by the £6.6 million of new investments, dividends paid of £3.3 million and the buy-back of £1.7 million of shares.

## Review of business and outlook

A review of the Company's business during the year and future prospects is contained in the Chairman's statement on pages 7 to 9 and in this Strategic report.

In light of the new VCT regulations set out in the recent Finance Act, asset-based investments will begin to decrease as a proportion of the portfolio, and greater emphasis will be given to growth and technology investments.

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

## VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on page 29.

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 December 2017. These showed that the Company has complied with all tests and continues to do so.

The Finance Act 2017 contained a number of measures that affects all VCTs. These include:

- a principles-based test for qualifying companies to ensure that investment activities focuses on higher risk opportunities;

- an increase in the proportion of the portfolio invested in qualifying unquoted companies from 70 per cent. to 80 per cent. in respect of accounting periods starting on or after 6 April 2019; and
- VCT loan investments to be unsecured and represent no more than normal commercial terms.

## Future prospects

As outlined in the Chairman's statement, the Company's portfolio is well balanced across sectors and risk classes. The performance of the growth and technology investments in recent years gives the Board a degree of confidence in the future performance of the Company, as does the proportion of portfolio companies that are profitable. The Manager has a strong pipeline of investment opportunities in which the Company's cash can be deployed.

## Key performance indicators

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

### 1. Net asset value per share and total shareholder return

Please see the "Total shareholder return to 31 December 2017" table on page 6 in the Financial summary section which shows the NAV per share as at 31 December 2017 and total shareholder return split by Ordinary shares, C shares and Income & Growth shares.

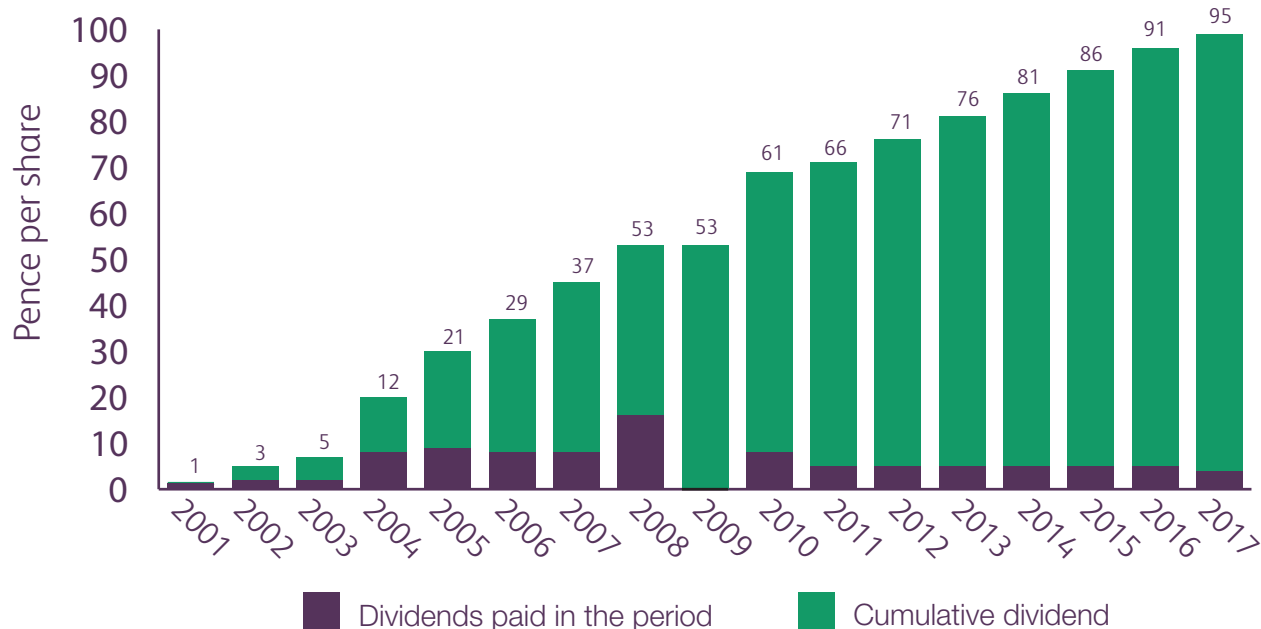
Total shareholder return is net asset value plus cumulative dividends paid since launch.

Total shareholder return increased by 2.6 per cent. to 166.9 pence per Ordinary share for the year ended 31 December 2017.

The graph on page 5 reflects the total shareholder return performance of the Company relative to the FTSE All-Share Index.

## 2. Dividend distributions

### Dividends paid



Dividends paid in respect of the year ended 31 December 2017 were 4.0 pence per share (2016: 5.0 pence per share), in line with the Boards dividend objective as revised in 2016. Cumulative dividends paid since inception are 95.0 pence per share.

### 3. Ongoing charges

As agreed with the Manager in 2015, the ongoing charges ratio for the year to 31 December 2017 was capped at 2.75 per cent. (2016: 2.75 per cent.) from a previous cap of 3 per cent. with any excess being a reduction in the management fee. The ongoing charges ratio has been calculated using The Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the year ahead to be 2.75 per cent. (capped at 2.75 per cent.).

The reduction in management fees payable to Albion Capital Group LLP in the year, due to the expense cap, amounted to £137,000 (2016: £133,000).

### Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do

not currently have any intention of utilising long-term gearing and have not done so in the past.

### Operational arrangements

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

### Management agreement

Under the Management agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management agreement can be terminated by either party on 12 months' notice and is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 2.5 per cent. of the net asset value of the Company, payable quarterly in arrears. The total annual running costs of the Company, including fees payable to Albion, Directors' fees, professional fees and the costs incurred by the Company in the ordinary course of business (but excluding any exceptional items and performance fees payable to Albion) are capped at an amount equal to 2.75 per cent. of the Company's net assets, with any excess being met by Albion by way of a reduction in management fees.

Additionally, Albion agreed to reduce that proportion of its management fee relating to the investment in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") by 0.75 per cent., which represents the OUEIF management fee charged by OLIM to avoid any double charging for the investment exposure.

The Manager is also entitled to an arrangement fee, payable by each portfolio company, of approximately 2 per cent. of each investment made and monitoring fees where the Manager has a representative on the portfolio company's board. Further details of the Manager's fee can be found in note 5.

### Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Manager is entitled to charge an incentive fee in the event that the returns exceed minimum target levels per share.

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 as increased at the rate of RPI plus 2 per cent. per annum uncompounded from the date of first admission to the Official List of the relevant class of share, then the Manager will be entitled to an incentive fee equal to 15 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. No performance fee has arisen during the year (2016: £nil). The performance threshold at 31 December 2017 was 196.6 pence for the Ordinary shares, 167.8 pence for the former C shares and 174.0 pence for the former Income & Growth shares which compare to total returns of 166.9 pence, 93.8 pence and 97.7 pence respectively, based on the latest NAV.

### Investment and co-investment

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

### Evaluation of the Manager

The Board has evaluated the performance of the Manager based on the returns generated by the Company, the continuing achievement of the 70 per cent. (to be 80 per cent. in respect of accounting periods starting on or after 6 April 2019) qualifying holdings investment requirement for venture capital trust status, the long term prospects of the current portfolio of investments, a review of the Management agreement and the services provided therein, and benchmarking the performance of the Manager to

other service providers including the performance of other VCTs that the Manager is responsible for managing. The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

### Alternative Investment Fund Managers Directive ("AIFMD")

The Board appointed Albion Capital Group LLP as the Company's AIFM in June 2014 as required by the AIFMD.

### Social and community issues, employees and human rights

The Board recognises the requirement under section 414C of the Companies Act 2006 (the "Act") to detail information about social and community issues, employees and human rights; including any policies it has in relation to these matters and effectiveness of these policies. As an externally managed investment company with no employees, the Company has no policies in these matters and as such these requirements do not apply.

### General Data Protection Regulation

The General Data Protection Regulation ("GDPR") is effective from 25 May 2018 with the objective of unifying data privacy requirements across the European Union. The Manager, Albion Capital Group LLP, is undertaking a data audit to identify personal data to ensure compliance with GDPR by the effective date.

### Further policies

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

- Environment
- Global greenhouse gas emissions
- Anti-bribery
- Anti-facilitation of tax evasion
- Diversity

and these are set out in the Directors' report on pages 29 and 30.

# Strategic report continued

## Risk management

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

Risk	Possible consequence	Risk management
Investment and performance risk	<p>The risk of investment in poor quality assets, which could reduce the capital and income returns to shareholders, and could negatively impact on the Company's current and future valuations.</p> <p>By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.</p> <p>Investments in open-ended equity funds result in exposure to market risk through movements in price per unit.</p>	<p>To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on matters discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings. The Board and Manager regularly reviews the deployment of cash resources into equity markets, the extent of exposure and performance of the exposure.</p>
VCT approval risk	<p>The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns. Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.</p>	<p>To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare &amp; Associates LLP as its taxation adviser, who report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a new portfolio company is also pre-cleared with H.M. Revenue &amp; Customs or our professional advisers.</p>
Regulatory and compliance risk	<p>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.</p>	<p>Board members and the Manager have experience of operating at senior levels within or advising quoted companies. In addition, the Board and the Manager receive regular updates on new regulation, including legislation on the management of the Company, from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's compliance officer. The Manager reports monthly to its Board on any issues arising from compliance or regulation. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's compliance officer. The report on controls is also evaluated by the internal auditors.</p>
Operational and internal control risk	<p>The Company relies on a number of third parties, in particular the Manager, for the provision of investment management and administrative functions. Failures in key systems and controls 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.</p>	<p>The Company and its operations are subject to a series of rigorous internal controls and review procedures exercised throughout the year, and receives reports from the Manager on internal controls and risk management, including on matters relating to cyber security.</p> <p>The Audit Committee reviews the Internal Audit Reports prepared by the Manager's internal auditors, PKF Littlejohn LLP. On an annual basis, the Audit Committee chairman meets with the internal audit partner to provide an opportunity to ask specific detailed questions in order to satisfy itself that the Manager has strong systems and controls in place including those in relation to business continuity.</p> <p>In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment objective and policies. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual.</p>

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

## Viability statement

In accordance with the FRC UK Corporate Governance Code published in 2016 and principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 31 December 2020. The Directors believe that three years is a reasonable period in which they can assess the future of the Company to continue to operate and meet its liabilities as they fall due and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timelines for finding, assessing and completing investments.

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

The Board assessed the ability of the Company to raise finance and deploy capital. The portfolio is well balanced after the process of reducing the proportion of the portfolios holdings in investments made prior to the crash in 2008 and geared towards long term growth delivering dividends and capital growth to

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

Taking into account the processes for mitigating risks, monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model and the balance of the portfolio the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2020.

This Strategic report of the Company for the year ended 31 December 2017 has been prepared in accordance with the requirements of section 414A of the Act. The purpose of this report is to provide shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

On behalf of the Board,

**Dr. N E Cross**

Chairman

29 March 2018



# The Board of Directors

---

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

**Dr Neil Cross FCIS**, (appointed 6 December 2000) has extensive experience in private equity and corporate governance. He 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 is a past Chairman of the European Venture Capital Association. He has also been a non-executive director of a number of listed and private companies and is presently a non-executive director of Caliburn Absolute Strategies SPC.

**Robin Archibald BCom, CA**, (appointed 18 November 2013) qualified as a chartered accountant with Touche Ross in Glasgow in 1983, before transferring with Touche Ross to London where he worked in the corporate finance department. Since 1986, he has worked in corporate finance and corporate broking roles, including for Samuel Montagu, SG Warburg Securities, NatWest Wood Mackenzie and Intelli Corporate Finance. He was a director of Winterflood Investment Trusts until May 2014, where he was head of corporate finance and broking from August 2004 until August 2013. Since the early nineties, he has concentrated on advising and managing transactions in the UK closed-ended funds sector and has gained a wide experience in fundraising, reorganisations and restructurings for all types of listed funds. He is currently a non-executive director of Ediston Property Investment Company PLC, Capital Gearing Trust plc, Henderson European Focus Trust plc and Shires Income Trust.

**Mary Anne Cordeiro MA**, (appointed 18 November 2013) worked at Goldman Sachs International Limited, first in the M&A Department and subsequently in the Financial Institutions Group from 1986 to 1992. She worked in similar roles in corporate finance at Bankers Trust Company and Paribas, and was also co-head of Paribas' Financial Institutions Group, before leaving to found her own business in the finance sector in 1998. More recently she has applied her scientific and financial strategy expertise to the commercialisation of innovation and to funding growth of early stage companies. She currently advises a number of medical technology businesses and has helped develop strategies to bring new products and services to market. She is also a member of the Development Board of the University of Oxford's Department of Chemistry and was appointed to the Life Sciences Advisory Board of Mercia Technologies PLC in January 2016.

**Modwenna Rees-Mogg MA**, (appointed 4 October 2012) began her career as a corporate financier at Kleinwort Benson Limited then founded the online media and live events business AngelNews in 2003, which is focused on the early stage investment market, with a special focus on private investors. The Company's activities include The VCT & EIS Investor Forum and the Great British Private Investor Summit. She is the author of "Dragons or Angels" and "Crowd Funding", books on angel investing and crowd funding respectively. She is a Co-Founder of angel backed [www.crowdrating.co.uk](http://www.crowdrating.co.uk) which provides retail advice in the form of ratings on equity crowdfunding campaigns, is a non-executive director of Asset Match Limited and runs The Pluralists Club for senior executives developing and running portfolio careers.

**Patrick Reeve MA, ACA**, (appointed 11 December 2003) qualified as a chartered accountant before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, working in both the development capital and corporate finance divisions before establishing Albion Capital (formerly Albion Ventures) in 1996. He is the managing partner of Albion Capital and is a director of Albion Enterprise VCT PLC and Albion Development VCT PLC, both managed by Albion Capital. He is also chief executive of Albion Community Power PLC, Chairman of OLIM Investment Managers, a member of the Audit Committee of University College London, a director of The Association of Investment Companies, and is on the Council of the BVCA.

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

All Directors, except for Patrick Reeve, are members of the Nomination Committee and Dr. Neil Cross is Chairman.

All Directors, except for Patrick Reeve, are members of the Remuneration Committee and Modwenna Rees-Mogg is Chairman.

Albion Capital Group LLP, is authorised and regulated by the Financial Conduct Authority and is the Manager of Albion Technology & General VCT PLC. In addition, it manages a further five venture capital trusts, the UCL Technology Fund and provides administration services to Albion Community Power PLC and Albion Care Communities Limited. Albion Capital, together with its subsidiary, OLIM Investment Managers, currently has total assets under management or administration of approximately £1 billion.

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

**Patrick Reeve MA, ACA,**

details included in the Board of Directors section.

**Will Fraser-Allen BA (Hons), FCA,**

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

**Adam Chirkowski MA (Hons),**

having graduated in Industrial Economics followed by a Masters in Corporate Strategy, spent five years at N M Rothschild & Sons specialising in mergers and acquisitions, principally in the natural resources and then healthcare sectors, before joining Albion Capital in 2013. He is currently responsible for a number of investments including renewable energy projects, care homes, health clinics, fibre broadband and wedding venues.

**Dr. Andrew Elder MA, FRCS,**

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

**Emil Gigov BA (Hons), FCA,**

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

**David Gudgin BSc (Hons), ACMA,**

qualified as a management accountant with ICL before spending 3 years at the BBC. In 1999 he joined 3i plc as an investor in European technology based in London and Amsterdam. In 2002 he moved to Foursome Investments (now Frog Capital) as the lead investor of an environmental technology and a later stage development capital fund. David joined Albion Capital in 2005 and became a partner in 2009. He is also managing director of Albion Community Power PLC and a director of Albion Care Communities Limited. David has a BSc in Economics from Warwick University.

**Vikash Hansrani BA (Hons), ACA,**

qualified as a chartered accountant with RSM Tenon plc and latterly worked in its corporate finance team. He joined Albion Capital in 2010, where he is currently operations partner for the group. He is also finance director of OLIM Investment Managers, was finance director of Albion Community Power PLC, and is also on the AIC's VCT Technical Committee. He has a BA in Accountancy & Finance from Nottingham Business School.

**Robert Henderson BA (Hons), ACA,**

graduated from Newcastle University with a first class degree in business management. Prior to joining Albion Capital in 2015, he qualified as a chartered accountant with KPMG, spending four years working in transactions and restructuring, primarily in turnaround and M&A situations.

**Ed Lascelles BA (Hons),**

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

**Catriona McDonald BA (Hons),**

graduated from Harvard University, majoring in economics. She joined Albion Capital's technology investment team in 2018 having previously worked for Goldman Sachs in both New York and London. At Goldman Sachs, Cat executed several high profile transactions across the product space including leveraged buyouts, IPOs and M&A.

**Dr. Christoph Ruedig MBA,**

initially practiced as a radiologist, before spending 3 years at Bain & Company. In 2006 he joined 3i plc working for their Healthcare Venture Capital arm leading investments in biotechnology, pharmaceuticals and medical technology. Most recently he has worked for General Electric UK, where he was responsible for mergers and acquisitions in the medical technology and healthcare IT sectors. He joined Albion Capital in 2011 and became a partner in 2014. He holds a degree in medicine from Ludwig-Maximilians University, Munich and an MBA from INSEAD.

**Henry Stanford MA, ACA,**

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

**Nadine Torbey MSc, BEng,**

graduated from the American University of Beirut with a Bachelor in Electrical and Computer Engineering, and followed this with a MSc. in Innovation Management and Entrepreneurship from Brown University. She joined the Albion Capital's technology investment team in 2018 from Berytech Fund Management, Lebanon. Her career to date has involved many aspects of tech investing including experience in a wide variety of digital platforms, big data management, virtual reality and digital networks.

**Robert Whitby-Smith BA (Hons), FCA, MSI,**

began his career at KPMG and moved on to Credit Suisse First Boston and ING Barings where he advised a number of businesses on capital raising and M&A activity. After moving to Albion Capital in 2005, Robert started investing in software and tech enabled services and became a partner in 2009. Robert holds an honours degree in History from the University of Reading and is a Chartered Accountant and a member of the Chartered Institute for Securities and Investment.

**Marco Yu MPhil, MA, MRICS,**

spent two and a half years at Bouygues (UK), before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. Since joining Albion Capital in 2007 Marco has been involved in hotel, cinema, pub, residential property and garden centre investments and is, more recently, responsible for a number of renewable energy investments. Marco graduated from Cambridge University with a first class degree in economics and is a Chartered Surveyor.

# Portfolio of investments

	% voting rights held by all Albion* managed companies		As at 31 December 2017			As at 31 December 2016			Change in value for the year** £'000
			Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	
Radnor House School (Holdings) Limited	15.3	50.0	5,415	4,920	10,335	5,568	3,797	9,365	1,123
Process Systems Enterprise Limited	13.9	20.7	2,160	2,325	4,485	2,160	2,234	4,394	91
Chonais River Hydro Limited	15.7	50.0	2,169	1,029	3,198	2,169	743	2,912	286
Bravo Inns II Limited	15.1	50.0	2,639	494	3,133	2,639	242	2,881	252
memsstar Limited	30.1	44.7	1,007	1,433	2,440	1,322	435	1,757	1,439
Earnside Energy Limited	12.7	50.0	2,059	202	2,261	2,059	215	2,274	(13)
Mirada Medical Limited	14.6	45.0	978	974	1,952	918	792	1,710	182
Bravo Inns Limited	28.8	50.0	2,411	(498)	1,913	2,411	(525)	1,886	27
Gharagain River Hydro Limited	18.5	50.0	1,526	314	1,840	1,526	271	1,797	43
Grapeshot Limited	1.9	14.2	390	1,405	1,795	329	101	430	1,304
MHS1 Limited	22.5	50.0	1,565	(3)	1,562	1,565	–	1,565	(3)
Proveca Limited	7.2	49.9	729	772	1,501	729	687	1,416	85
TWCL Limited (Previously The Weybridge Club Limited)+	25.2	50.0	1,502	(48)	1,454	1,877	(498)	1,379	75
Oxsensis Limited	12.3	18.2	1,548	(177)	1,371	1,696	(744)	952	392
The Street by Street Solar Programme Limited	8.1	50.0	895	483	1,378	895	366	1,261	117
Regenerco Renewable Energy Limited	7.9	50.0	822	384	1,206	822	281	1,103	103
Mi-Pay Group plc	21.6	34.7	4,163	(3,087)	1,076	4,163	(2,369)	1,794	(718)
Egress Software Technologies Limited	2.5	27.3	466	588	1,054	200	376	576	212
G. Network Communications Limited	11.2	50.0	1,050	–	1,050	–	–	–	–
Women's Health (London West One) Limited	8.3	40.0	1,039	–	1,039	–	–	–	–
Beddlestead Limited	10.0	50.0	1,000	–	1,000	–	–	–	–
MPP Global Solutions Limited	3.2	13.5	950	–	950	–	–	–	–
Alto Prodotto Wind Limited	6.9	50.0	682	266	948	691	258	949	13
The Q Garden Company Limited	33.4	50.0	934	(2)	932	934	–	934	(2)
DySIS Medical Limited	9.4	26.9	2,369	(1,448)	921	2,002	(1,086)	916	(362)
Zift Channel Solutions Inc.	1.9	7.4	881	–	881	–	–	–	–
sparesFinder Limited	12.0	12.0	613	245	858	613	245	858	–
Oviva AG	3.8	15.9	665	166	831	165	1	166	165
Convertr Media Limited	7.0	27.0	780	(55)	725	650	–	650	(55)
Black Swan Data Limited	1.7	12.4	595	–	595	210	–	210	–
Infinite Ventures (Goathill) Limited	9.6	31.0	400	127	527	400	94	494	33
Premier Leisure (Suffolk) Limited	25.8	47.4	454	65	519	454	90	544	(25)
Aridhia Informatics Limited	5.1	22.3	887	(447)	440	810	(276)	534	(171)
Erin Solar Limited	15.7	50.0	440	(20)	420	440	(9)	431	(11)
Secured by Design Limited	2.7	10.0	410	1	411	410	1	411	–
Panaseer Limited	2.8	10.2	248	148	396	110	–	110	148
MyMeds&Me Limited	2.1	19.2	260	133	393	260	116	376	17
Albion Investment Properties Limited	31.8	100.0	434	(47)	387	434	(43)	391	(4)
AVESI Limited	8.0	50.0	259	112	371	259	85	344	27
Quantexa Limited	3.0	11.9	335	–	335	–	–	–	–
Cisiv Limited	7.4	28.9	574	(278)	296	574	(280)	294	2

# Portfolio of investments continued

	% voting rights	% voting rights held by all Albion* managed companies	As at 31 December 2017			As at 31 December 2016			Change in value for the year** £'000
			Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	
Harvest AD Limited	n/a	n/a	210	–	210	210	–	210	–
OmPrompt Holdings Limited	2.3	28.3	266	(58)	208	200	8	208	(66)
Abcodia Limited	3.2	19.5	440	(259)	181	409	(233)	176	(26)
CSS Group Limited	10.0	15.0	188	(9)	179	188	(51)	137	42
Palm Tree Technology Limited	0.5	0.7	320	(157)	163	320	(157)	163	–
Greenenerco Limited	3.1	50.0	107	55	162	110	62	172	(5)
Locum's Nest Limited	3.0	10.9	135	–	135	–	–	–	–
Sandcroft Avenue Limited	0.9	9.2	97	5	102	50	(7)	43	12
Dickson Financial Services Limited	6.0	30.0	60	31	91	60	22	82	9
InCrowd Sports Limited	1.9	6.8	84	–	84	84	–	84	–
ComOps Limited	0.7	1.0	68	(38)	30	68	(12)	56	(26)
Elements Software Limited	3.3	4.5	19	(19)	–	19	(19)	–	–
<b>Total fixed asset investments</b>			<b>50,697</b>	<b>10,027</b>	<b>60,724</b>	<b>44,182</b>	<b>5,213</b>	<b>49,395</b>	<b>4,712</b>

\* Albion Capital Group LLP

\*\* as adjusted for additions and disposals during the year

+ The accounting cost as shown above is after deducting realised losses of £375,000 for TWCL Limited (Previously The Weybridge Club Limited).

<b>Total change in value of investments for the year</b>	<b>4,712</b>
Movement in loan stock accrued interest (net of disposals)	16
<b>Unrealised gains on fixed asset investments</b>	<b>4,728</b>
Realised gains on fixed asset investments	395
Unrealised gains on current asset investments	22
<b>Total gains on investments as per Income statement</b>	<b>5,145</b>

The comparative cost and valuations for 31 December 2016 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2016 as the above list does not include brought forward investments that were fully disposed of in the year.

	As at 31 December 2017			As at 31 December 2016			Change in value for the year** £'000
	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	
SVS Albion OLIM UK Equity Income Fund	1,350	22	1,372	–	–	–	22
<b>Total current asset investments</b>	<b>1,350</b>	<b>22</b>	<b>1,372</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22</b>



# Portfolio of investments continued

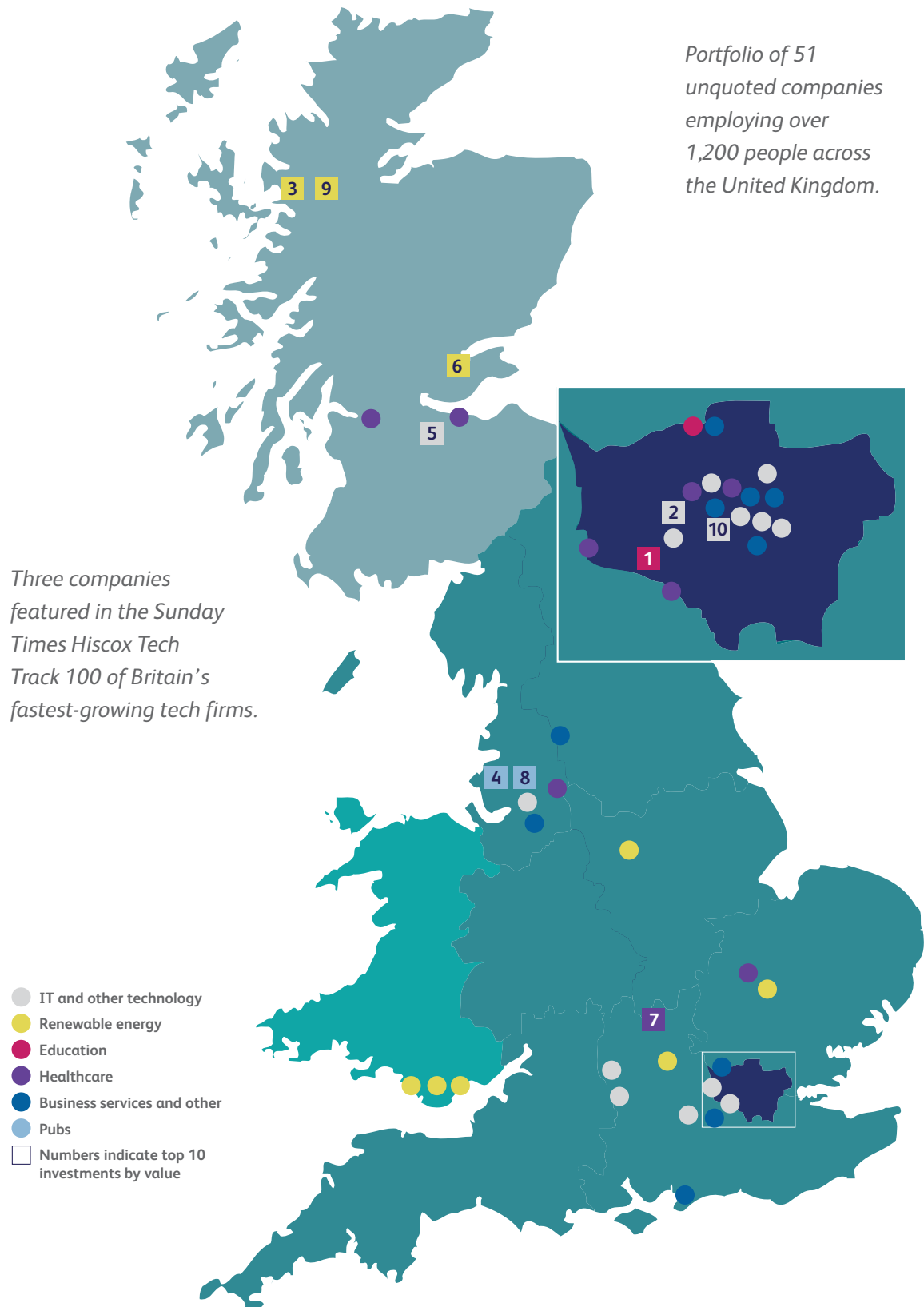
Fixed asset investment realisations during the year to 31 December 2017	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised (loss)/gain £'000	Gain/(loss) on opening value £'000
<b>Disposals:</b>					
Blackbay Limited	4,213	3,652	3,705	(508)	53
AMS Sciences Limited	2,016	1,555	1,555	(461)	–
Hilson Moran Holdings Limited	264	849	1,384	1,120	535
Relayware Limited (merger with Zift Channel Solutions Inc.)	767	760	753	(14)	(7)
Masters Pharmaceuticals Limited	452	681	687	235	6
<b>Loan stock repayments:</b>					
memsstar Limited	315	756	471	156	(285)
Oxsensis Limited	597	422	449	(148)	27
Radnor House School (Holdings) Limited	153	153	153	–	–
Arhidia Informatics Limited	23	23	26	3	3
Alto Prodotto Wind Limited	9	14	14	5	–
Greenenerco Limited	3	5	5	2	–
<b>Escrow adjustments and other:</b>					
TWCL Limited (Previously The Weybridge Club Limited)+	375	–	–	(375)	–
Escrow adjustments*	–	–	63	63	63
<b>Total realisations</b>	<b>9,187</b>	<b>8,870</b>	<b>9,265</b>	<b>78</b>	<b>395</b>

+ Realised loss of investment still held at the Balance sheet date.

\* Fair value movements on deferred consideration from previously disposed investments.

# Portfolio companies

## Geographical locations



# Portfolio companies continued

The top ten fixed asset investments by value are shown below.

## Radnor House School (Holdings) Limited

Website: [www.radnorhouse.org](http://www.radnorhouse.org)

Radnor House operates two independent schools in Twickenham and Sevenoaks. The Twickenham school trades at near mature levels with more than 400 children on the roll. The school in Sevenoaks, which was acquired in 2015 as a turnaround opportunity, is now growing strongly with over 400 children on the roll and further capacity to expand. Both schools aim to deliver a personalised education experience to each student with a focus on learning. The curriculum and co-curricular activities are designed to give each child a wide range of academic and other skills and prepare him or her for a dynamic and rapidly changing world.

### Audited results: year to 31 August 2017

	£'000	Investment information	£'000
Turnover	11,487	Income recognised in the year	459
EBITDA	1,489	Total cost	5,415
Loss before tax	(552)	Valuation	10,335
Net assets	30,951	Voting rights	15.3 per cent.
Basis of valuation	Third party valuation – earnings multiple	Voting rights for all Albion managed companies	50.0 per cent.



## Process Systems Enterprise Limited

Website: [www.psenderprise.com](http://www.psenderprise.com)

PSE is the leading supplier of Advanced Process Modelling software and model-based engineering and innovation services to the process industries. PSE's products and services help process organisations explore the decision space rapidly and effectively, and make better, faster and safer design and operation decisions. PSE's customers include 60 Fortune 500 companies, including 5 of the 6 oil majors, some of the world's leading pharma companies, 7 of the top 10 chemical companies and the world's most innovative companies in areas including fuel cells. PSE has offices in London, New Jersey, Houston, Japan, Korea, Switzerland, and representative offices in Taiwan, Thailand, Beijing and Shanghai.

### Audited results: year to 31 December 2016

	£'000	Investment information	£'000
Turnover	15,747	Income recognised in the year	–
EBITDA	6,325	Total cost	2,160
Profit before tax	2,870	Valuation	4,485
Net assets	10,409	Voting rights	13.9 per cent.
Basis of valuation	Revenue multiple	Voting rights for all Albion managed companies	20.7 per cent.

# Portfolio companies continued



## Chonais River Hydro Limited

Chonais River Hydro is a 2MW hydropower scheme near Loch Carron in the Scottish Highlands. It is a run-of-river scheme, taking water from a small river via an intake on the mountainside. The scheme is low visual impact with the only visible components being a small intake and a powerhouse, both of which are built using local material. It generates enough electricity to power about 2,000 homes. It benefits from inflation-protected renewable subsidies for a period of 20 years. The scheme was commissioned in 2014 and has been generating successfully since.

### Audited results: year to

30 September 2016	£'000	Investment information	£'000
Turnover	–	Income recognised in the year	129
EBITDA	(11)	Total cost	2,169
Loss before tax	(11)	Valuation	3,198
Net liabilities	(47)	Voting rights	15.7 per cent.
Basis of valuation	Third party valuation – discounted cash flow	Voting rights for all Albion managed companies	50.0 per cent.

## Bravo Inns II Limited

Website: [www.bravoinsns.com](http://www.bravoinsns.com)

Bravo Inns II was formed in September 2007 to acquire freehold pubs in the North of England. The Bravo strategy is to acquire closed and underinvested sites, undertaking high quality refurbishments before trading as wet-led community pubs. The estate currently consists of 31 sites and the Bravo team are targeting 2-3 acquisitions a year to grow the estate.

### Filleted audited results: year to 31 March 2017

	£'000
Net assets	4,667
Basis of valuation	Third party valuation – earnings multiple

### Investment information

	£'000
Income recognised in the year	7
Total cost	2,639
Valuation	3,133
Voting rights	15.1 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

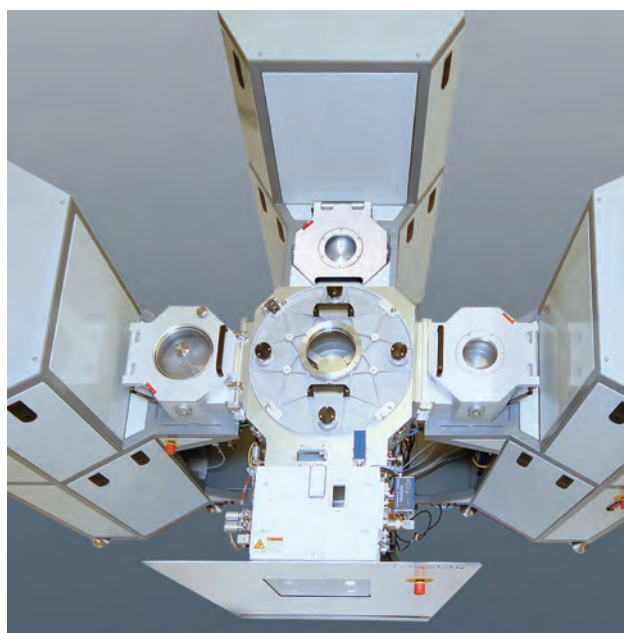
## memsstar Limited

Website: [www.memsstar.com](http://www.memsstar.com)

memsstar is a leading provider of deposition and tech equipment and technology solutions to manufacturers of semiconductors and micro-electrical mechanical systems (MEMS). The company's remanufactured equipment and its proprietary technology solutions help the semiconductor and global MEMS markets meet the challenges of developing and manufacturing increasingly complex and integrated MEMS devices.

### Audited results: year to

31 December 2016	£'000	Investment information	£'000
Turnover	5,614	Income recognised in the year	64
EBITDA	278	Total cost	1,007
Loss before tax	(123)	Valuation	2,440
Net assets	2,165	Voting rights	30.1 per cent.
Basis of valuation	Earnings multiple	Voting rights for all Albion managed companies	44.7 per cent.





# Portfolio companies<sup>continued</sup>



Website: [www.earnsideenergy.com](http://www.earnsideenergy.com)

## Earnside Energy Limited

Earnside Energy owns and operates an anaerobic digestion (“AD”) plant and composting facility in Perthshire in Scotland. The AD plant, which has recently undergone a significant expansion programme, turns waste food into electricity and produces digestate for use as an agricultural fertiliser, while the composting facility produces compost from comingled food and garden waste. The combined facility is capable of processing c. 75,000 tonnes of waste per annum.

### Audited results: year to 31 December 2016

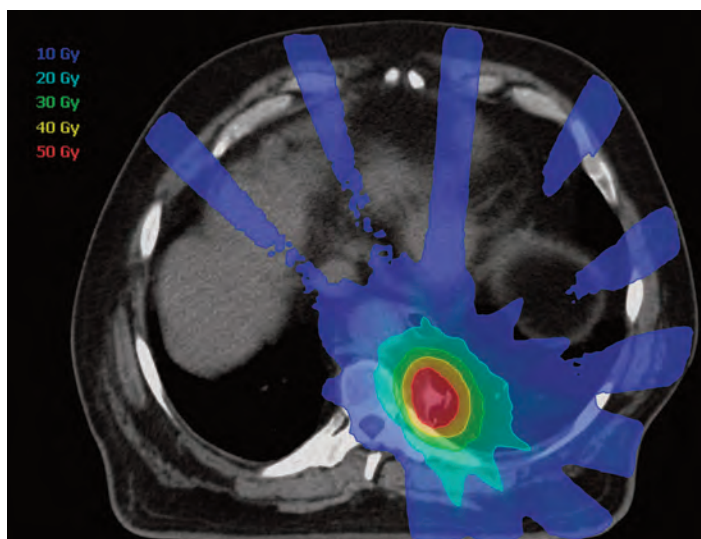
	£'000
Turnover	2,608
EBITDA	372
Loss before tax	(722)
Net assets	803
Basis of valuation	Third party valuation – discounted cash flow

### Investment information:

	£'000
Income recognised in the year	–
Total cost	2,059
Total valuation	2,261
Voting rights	12.7 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

## Mirada Medical Limited

Mirada Medical is a medical imaging software business which uses artificial intelligence to assist doctors in the identification and treatment planning of cancer. Mirada’s software is used in over 2000 hospitals worldwide.



Website: [www.mirada-medical.com](http://www.mirada-medical.com)

### Audited results: year to 31 December 2016

	£'000
Turnover	4,123
EBITDA	(216)
Loss before tax	(153)
Net liabilities	(1,574)
Basis of valuation	Revenue multiple

### Investment information:

	£'000
Income recognised in the year	40
Total cost	978
Valuation	1,952
Voting rights	14.6 per cent.
Voting rights for all Albion managed companies	45.0 per cent.



# Portfolio companies continued

## Bravo Inns Limited

Website: [www.bravoinsns.com](http://www.bravoinsns.com)

Bravo Inns was formed in May 2007 to acquire freehold pubs in the North of England. The Bravo strategy is to acquire closed and underinvested sites, undertaking high quality refurbishments before trading as wet-led community pubs. The estate currently consists of 10 sites and the Bravo team are targeting 1-2 acquisitions a year to grow the estate.

### Filleted audited results: year to 31 March 2017

	£'000
Net liabilities	(482)
Basis of valuation	Third party valuation – earnings multiple

### Investment information

	£'000
Income recognised in the year	3
Total cost	2,411
Valuation	1,913
Voting rights	28.8 per cent.
Voting rights for all Albion managed companies	50.0 per cent.



## Gharagain River Hydro Limited

Gharagain River Hydro is a 1MW hydropower scheme near Loch Carron in the Scottish Highlands, about 3 miles from Chonais Hydro. It is a run-of-river scheme with the same design as Chonais Hydro. It generates enough electricity to power about 1,000 homes. It benefits from inflation-protected renewable subsidies for a period of 20 years. The scheme was commissioned in 2014 and has been generating successfully since.

### Audited results: year to 30 September 2016

	£'000	Investment information	£'000
Turnover	–	Income recognised in the year	74
EBITDA	(5)	Total cost	1,526
Loss before tax	(5)	Valuation	1,840
Net assets	197	Voting rights	18.5 per cent.
Basis of valuation	Third party valuation – discounted cash flow	Voting rights for all Albion managed companies	50.0 per cent.

## Grapeshot Limited

Website: [www.grapeshot.com](http://www.grapeshot.com)

Grapeshot provides contextual intelligence to digital marketers and publishers, using complex algorithms to integrate with the leading marketing, publishing and media platforms and to transform data into relevant, actionable insights that can be used to inform, enhance and precisely target customer acquisition and retention campaigns. Grapeshot operates out of offices in London, New York, Chicago, San Francisco, Cambridge, Sydney and Singapore and the company plans to open offices in Toronto, Miami, LA, Paris, Germany and Japan.

### Audited results: year to

	£'000	Investment information	£'000
Turnover	9,045	Income recognised in the year	–
EBITDA	(1,454)	Total cost	390
Loss before tax	(1,699)	Valuation	1,795
Net assets	4,367	Voting rights	1.9 per cent.
Basis of valuation	Revenue multiple	Voting rights for all Albion managed companies	14.2 per cent.

# Directors' report

---

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 2017. The Statement of corporate governance on pages 34 to 38 forms a part of the Directors' report.

## **BUSINESS REVIEW**

### **Principal activity and status**

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ('HMRC') as a venture capital trust in accordance with the Income Tax Act 2007 and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007 and further details of this can be found on page 29 of this Directors' report. Approval for the year ended 31 December 2017 is subject to review should there be any subsequent enquiry under corporation tax self-assessment.

The Company is not a close company for taxation purposes and its shares are premium listed on the official list of the London Stock Exchange.

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

### **Capital structure**

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 15. The Ordinary shares are designed for individuals who are professionally advised private investors, seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments. The investments are spread over a number of sectors, to produce a regular and predictable source of income, combined with the prospect of longer term capital growth.

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

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

### **Issue and buy-back of Ordinary shares**

During the year the Company issued a total of 13,598,077 Ordinary shares, of which 12,788,917 Ordinary shares (2016: 7,896,904 Ordinary shares) were issued under the Albion VCTs Top Up Offers; and 809,160 Ordinary shares (2016: 902,326 Ordinary shares) were issued under the Company's Dividend Reinvestment Scheme.

The Company engaged in the Albion VCTs Prospectus Top Up Offers 2017/18 which closed on 28 February 2018, having been fully subscribed and reaching its £6 million limit under the Prospectus dated 6 September 2017. Further information on the share capital is detailed in note 15.

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current buy-back policy can be found on page 8 of the Chairman's statement. Details on share buy-backs during the year can be found in note 15.

### **Substantial interests and shareholder profile**

As at 31 December 2017 and the date of this report, the Company was not aware of any shareholder who had a beneficial interest exceeding 3 per cent. of voting rights. There have been no disclosures in accordance with Disclosure Guidance and Transparency Rule 5 made to the Company during the year ended 31 December 2017, and up to the date of this report.

### **Future developments of the business**

Details on the future developments of the business can be found on page 9 of the Chairman's statement and on page 12 of the Strategic report.

### **Results and dividends**

Detailed information on the results and dividends for the year ended 31 December 2017 can be found in the Strategic report on pages 11 and 12.

### **Going concern**

In accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014, the Board has assessed the Company's operation as a going concern. The Company has significant cash and liquid resources, its portfolio of investments is well diversified in terms of sector and the major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence over a period of at least twelve months from the date of approval of the Financial Statements.

# Directors' report continued

For this reason, the Directors have considered it appropriate to adopt the going concern basis of accounting.

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 17. The Company's business activities, together with details of its performance are shown in the Strategic report and this Directors' report.

## Post balance sheet events

Details of events that have occurred since 31 December 2017 are shown in note 19.

## Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 15 and 16 of the Strategic report.

## VCT regulation

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

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
- (3) At least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 the figure is 70 per cent;
- (4) At the time of investment, or addition to an investment, the Company's holdings in any one company (other than another VCT) must not have exceeded 15 per cent. by HMRC value of its investments;
- (5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (6) The Company's shares, throughout the year, must have been listed on a regulated European market;
- (7) An investment in any company must not cause that company to receive more than £5 million in State aid risk finance in the 12 months up to the date of the investment, nor more than £12 million in total (£20 million for a "knowledge intensive" company);

- (8) The Company must not invest in a company whose trade is more than seven years old (ten years for a "knowledge intensive" company) unless the Company previously received State aid risk finance in its first seven years, or a turnover test is satisfied;
- (9) The Company's investment in another company must not be used to acquire another business, or shares in another company; and
- (10) The Company may only make qualifying investments or certain non-qualifying investments permitted by Section 274 of the Income Tax Act 2007.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any portfolio company. The tests have been carried out and independently reviewed for the year ended 31 December 2017. The Company has complied with all tests and continues to do so.

'Qualifying holdings' include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the chart on page 11.

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

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

The Finance Act 2017 contained a number of measures that affect all VCTs which will be phased in over the coming years. Further details of some of the changes being introduced can be found in the Strategic report on page 12.

## Environment

The management and administration of the Company is undertaken by the Manager, Albion Capital Group LLP. Albion Capital Group 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.

# Directors' report continued

## Global greenhouse gas emissions

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

## Anti-bribery

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

Albion Capital Group LLP reviews the anti-bribery policies and procedures of portfolio companies.

## Anti-facilitation of tax evasion

The Company has adopted a zero tolerance approach with regards to the facilitation of criminal tax evasion and has put in place a robust risk assessment procedure to ensure compliance. The Board reviews this policy and the prevention procedures in place for all associates on a regular basis.

## Diversity

The Board has a balanced representation of male and female Directors, with the current Board of Directors comprising two female and three male Directors. More details on the Directors can be found in the Board of Directors section on page 17.

The Manager has an equal opportunities policy and currently employees 12 men and 16 women.

## Employees

The Company is managed by Albion Capital Group 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 in the Directors' remuneration report on page 40.

All Directors, except for Patrick Reeve, who is the managing partner of the Manager, are members of the Audit Committee, of which Robin Archibald is Chairman.

Patrick Reeve, as managing partner of Albion Capital Group LLP, is deemed to have an interest in the Management agreement and Management performance incentive to which the Company is party. After the merger with Albion Income & Growth VCT PLC on 15 November 2013, Patrick Reeve agreed to waive his fees for his services as a Director of the Company.

## Directors' indemnity

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

## Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code. At the forthcoming Annual General Meeting, Dr. Neil Cross, having served as a Director for longer than nine years, will retire and offer himself for re-election. Patrick Reeve is not considered to be independent, as he is the managing partner of the Manager, Albion Capital Group LLP, and will therefore also retire and offer himself for re-election at the forthcoming Annual General Meeting. The Articles of Association require that all Directors will submit themselves for re-election at least once every three years, therefore in accordance with the Articles, Modwenna Rees-Mogg will resign and offer herself for re-election.

## Advising Ordinary Retail Investors

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

## Packaged Retail and Insurance-based Investment Products ("PRIIPs")

Investors should be aware that the PRIIPs Regulation requires the Manager, as PRIIP manufacturer, to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's webpage on the Manager's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.



# Directors' report continued

## **Auditor**

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

## **Annual General Meeting**

The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 11.00 am on 6 June 2018. 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.capital/funds/AATG](http://www.albion.capital/funds/AATG) under the "Financial Reports and Circulars section".

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

## **Increase in Directors' aggregate remuneration limit**

Ordinary resolution number 8 to be proposed as special business at the Annual General Meeting increases the limit for the overall level of Directors' remuneration under the Company's Articles of Association from £100,000 to £150,000 with effect from 1 July 2018. The Directors are currently paid Director's fees aggregating £93,000 per annum. There is no current intention of increasing these fees in the near term but the new level proposed under the Articles of Association provides extra flexibility in the case, for example, of an additional Board member being appointed prior to the retirement of an existing Director.

## **Change of investment policy**

Ordinary resolution number 9 proposes that the Company's investment policy be amended to enable the Company to comply with new VCT qualifying requirements.

## **Authority to allot shares**

Ordinary resolution number 10 will request the authority to allot up to an aggregate nominal amount of £232,170 representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this Report.

The Directors current intention is to allot shares under the Dividend Reinvestment Scheme, any Albion VCTs Share Offers and reissuing treasury shares where it is in the Company's interest to do so. The Company currently holds 13,268,070

treasury shares representing 11.6 per cent. of the total Ordinary share capital in issue as at 31 December 2017.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2017. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

## **Disapplication of pre-emptive rights**

Special resolution number 11 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £232,170 of the nominal value of the share capital representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this Report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2017. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

## **Purchase of own shares**

Special resolution number 12 will request the authority to purchase a maximum of 17,401,128 shares representing 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution number 12. Shares bought back under this authority may be cancelled or held in treasury.

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

This resolution would renew the 2017 authority, which was on similar terms. During the financial year under review, the Company purchased 2,563,000 Ordinary shares to be held in treasury, at an aggregate consideration of £1,719,000, including stamp duty, representing 2.5 per cent. of called up share capital.

The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.



# Directors' report continued

---

## **Treasury shares**

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

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

## **Recommendation**

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

## **Disclosure of information to Auditor**

In the case of the persons who are Directors of the Company at the date of approval of this report:

- so far as each of the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This disclosure is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

For and on behalf of the Board

## **Albion Capital Group LLP**

Company Secretary

1 King's Arms Yard  
London, EC2R 7AF  
29 March 2018

# Statement of Directors' responsibilities

---

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

## Website publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's webpage on the Manager's website ([www.albion.capital/funds/AATG](http://www.albion.capital/funds/AATG)) in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The Manager, under delegated responsibility from the Board, is responsible for the maintenance and integrity of the Company's webpage.

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

The Directors confirm to the best of their knowledge:

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

By Order of the Board

**Dr. N E Cross**

Chairman

29 March 2018

# Statement of corporate governance

---

## Background

The Financial Conduct Authority requires all companies listed on a regulated market to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the “Code”) issued by the Financial Reporting Council (“FRC”) in 2016.

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

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Code, except as set out below.

## Application of the Principles of the Code

The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust, 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 he, Robin Archibald, Mary Anne Cordeiro and Modwenna Rees-Mogg are considered independent Directors. Patrick Reeve is not considered an independent Director as he is the managing partner of Albion Capital Group LLP, the Manager.

Dr. Neil Cross has been Director of the Company for more than nine years and, in accordance with the recommendations of the AIC code, is subject to annual re-election. The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director’s length of service reduces his or her ability to act independently of the Manager. Patrick Reeve

is also subject to annual re-election, as he is not considered to be an independent Director.

The Articles of Association require that all Directors will submit themselves for re-election at least once every three years, therefore in accordance with the Articles, Modwenna Rees-Mogg will resign and offer herself for re-election.

The Board does not believe that it is necessary to appoint a Senior Independent Director as the Board is comprised solely of non-executive Directors. As per the recommendation in the AIC Code, this role is fulfilled, as appropriate, by the Chairman of the Audit Committee.

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 on page 17. Directors are provided with key information on the Company’s activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the UK Corporate Governance Code, the Company has in place Directors’ & Officers’ Liability Insurance.

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender, experience and balance of skills. Further details on the recruitment of new Directors can be found in the Nomination Committee section on page 37.

The Board met four times during 2017 as part of its regular programme of quarterly Board meetings. All of the Directors attended each meeting. A sub-committee of the Board comprising at least two Directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the Albion VCTs Top Up Offers. A sub-committee of the Board also met during the year to approve the terms and contents of the Offer Documents under the Albion VCTs Prospectus Top Up Offers 2017/18. Various Board members also engaged with the Manager and other service providers to the Company during the course of the year in furtherance of their duties.

The Chairman ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers, with ad hoc reports and information supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement

# Statement of corporate governance

continued

between the Company and its Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

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

- the appointment, evaluation, removal and remuneration of the Manager;
- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy and corporate events that arise including periodic Top Up Offers;
- application of the principles of the UK Corporate Governance Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of the Auditor;
- evaluation of non-audit services provided by the external Auditor;
- approval of the appropriate dividend to be paid to shareholders;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price;
- share buy-back and treasury share policy; and
- monitoring shareholder profile and considering shareholder communications.

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

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

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

- attendance at Board and Committee meetings;
- the contribution made by individual Directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman (or in the case of the Chairman's review, by the other Directors).

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

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

In light of the structured performance evaluation, Dr. Neil Cross, Patrick Reeve and Modwenna Rees-Mogg, all of whom are subject to re-election at the forthcoming Annual General Meeting, are considered to be effective Directors who demonstrate strong commitment to the role, and the Board believes it to be in the best interest of the Company to appoint these Directors at the forthcoming Annual General Meeting.

## **Remuneration Committee**

The Remuneration Committee consists of all Directors except Patrick Reeve, with Modwenna Rees-Mogg as Chairman. The Committee held one formal meeting during the year, which was fully attended by all the members of the Committee.

The terms of reference for the Remuneration Committee can be found on the Company's webpage on the Manager's website at [www.albion.capital/funds/AATG](http://www.albion.capital/funds/AATG) under the Corporate Governance section.

## **Audit Committee**

The Audit Committee consists of all Directors except Patrick Reeve, with Robin Archibald as Chairman. In accordance with the Code, all members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2017; all members attended.

Written terms of reference have been constituted for the Audit Committee and can be found on the Company's webpage on the Manager's website at [www.albion.capital/funds/AATG](http://www.albion.capital/funds/AATG) under the Corporate Governance section.

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

- formally reviewing the final Annual Report and Financial Statements, the Half-yearly Financial Report, the Interim Management Statements which the Company will continue to publish and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;

# Statement of corporate governance

continued

- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the external Auditor and reviewing their findings;
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board;
- highlighting the key risks and specific issues relating to the Financial Statements including the reasonableness of valuations, compliance with accounting standards and UK law, corporate governance and listing and disclosure rules as well as going concern. These issues were addressed through detailed review, discussion and challenge by the Board of these matters, as well as by reference to underlying technical information;
- advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- reporting to the Board on how it has discharged its responsibilities.

## Financial Statements

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

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

### *The valuation of the Company's investments*

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

### *Revenue recognition*

The revenue generated from loan stock interest and dividend income has been considered by the Audit Committee as part of its review of the Financial Statements as well as a quarterly review of the management accounts prepared by the Manager. The Audit Committee has considered the controls in place over

revenue recognition to ensure that amounts received are in line with expectation and budget.

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

## Relationship with the External Auditor

The Audit Committee reviews the performance and continued suitability of the Company's external Auditor on an annual basis. They assess the external Auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external Auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. No non-audit services were provided during the financial year ended 31 December 2017.

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

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

In order to form a view of the effectiveness of the external audit process, the Committee took into account information from the Manager regarding the audit process, the formal documentation issued to the Audit Committee and the Board by the external Auditor regarding the external audit for the year ended 31 December 2017, and assessments made by individual Directors.

During the year, the Audit Committee undertook a competitive tender process for appointment of the external auditor for the financial year ending 31 December 2017, so as to ensure auditor independence and continued quality of judgement. The core legislation mandates that the maximum period for which a firm can be appointed auditor of a public interest entity is 10 years. Member states can choose to make this period shorter, or they can choose to allow extensions: to 20 years if a competitive tender is held at the 10 year point. BDO first acted as Auditor for the year ended 31 December 2008. The Company can confirm



# Statement of corporate governance

continued

that there are no contractual obligations that restrict the Company's choice of external auditor. As a result of this selection process, and evaluation of objective and subjective criteria, it was decided to retain BDO LLP as the external auditor of the Company. The Audit Committee will continue to review and evaluate the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services on an annual basis.

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

Based on the assurance obtained, the Audit Committee recommended to the Board a resolution to re-appoint BDO LLP as Auditor at the forthcoming Annual General Meeting.

## **Nomination Committee**

The Nomination Committee consists of all Directors except for Patrick Reeve, with Dr. Neil Cross as Chairman.

The Nomination Committee reviews both the membership of the Board for the spread of skills and looks at succession planning, with a view to make recommendations to the Board on changes to its composition. The Board's policy on the recruitment of new Directors is to attract a range of backgrounds, skills and experience and to ensure that appointments are made on the grounds of merit against clear and objective criteria and bear in mind the maintenance of gender and other diversity within the Board.

The Nomination Committee did not meet formally during the year.

Terms of reference for the Nomination Committee can be found on the Company's webpage on the Manager's website at [www.albion.capital/funds/AATG](http://www.albion.capital/funds/AATG) under the Corporate Governance section.

## **Internal control**

In accordance with the UK Corporate Governance Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the FRC guidance "Risk Management, Internal Control and Related Financial and Business Reporting". The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, acknowledging that such a system is designed to manage, rather than eliminate, the risks of failure to achieve the Company's business objectives, such controls can

only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Board, through the Audit Committee, has performed a specific assessment for the purpose of this Annual Report and Financial Statements. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities.

The main features of the internal control system with respect to financial reporting are:

- segregation of duties between the preparation of valuations and recording in accounting records;
- independent third party valuations of the majority of the asset-based investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the managing partner and reviews of financial reports are carried out by the operations partner of Albion Capital Group LLP;
- bank reconciliations are carried out monthly, and stock reconciliations are carried out six monthly, by the Manager in accordance with the FCA requirements;
- all financial reports are reviewed by Albion Capital Group LLP compliance department before publishing;
- the Board reviews financial information; and
- a separate Audit Committee of the Board reviews financial information due to be published.

During the year, as the Board has delegated the investment management and administration to Albion Capital Group LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, it has access to PKF Littlejohn LLP, which, as internal Auditor for Albion Capital Group LLP undertakes periodic examination of the business processes and controls environment at Albion Capital Group LLP, and ensures that any recommendations to implement improvements in controls are

# Statement of corporate governance

continued

---

carried out. During the year, the Audit Committee and the Board reviewed internal audit reports prepared by PKF Littlejohn LLP. The Board and the Audit Committee will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

## **Conflicts of interest**

Directors review and sign off the disclosure of conflicts of interest annually, with any changes reviewed and noted at the beginning of each quarterly Board meeting. A Director who has conflicts of interest has two independent Directors authorise those conflicts. Procedures to disclose and authorise conflicts of interest have been adhered to throughout the year.

## **Capital structure and Articles of Association**

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on pages 28 and 31 of the Directors' report. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Any amendments to the Company's Articles of Association are by way of a special resolution subject to ratification by shareholders.

## **Relationships with shareholders**

The Company's Annual General Meeting on 6 June 2018 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

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

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

## **Statement of compliance**

The Directors consider that, with the exception of the requirement for the appointment of a Chief Executive Officer and Senior Independent Director, the Company has complied throughout the year ended 31 December 2017 with all the relevant provisions set out in the Code issued in 2016 and with the AIC Code of Corporate Governance. The Company continues to comply with the Code, as at the date of this report.

By Order of the Board

**Dr. N E Cross**

Chairman

29 March 2018

# Directors' remuneration report

---

## Introduction

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

An ordinary resolution will be proposed at the Annual General Meeting of the Company to be held on 6 June 2018 for the approval of the Annual Remuneration Report as set out below. The current Remuneration Policy was approved by shareholders (89.2 per cent. of shareholders voted for the resolution) at the Annual General Meeting held on 7 June 2017, and it will remain in place for a three year period.

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

## Annual statement from the Chairman of the Remuneration Committee

The Remuneration Committee comprises all of the Directors excluding Patrick Reeve, with Modwenna Rees-Mogg as Chairman.

The Remuneration Committee met once during the year to review Directors' responsibilities and salaries against the market and concluded that the current level of remuneration, which was increased in 2016, remained appropriate and so proposed no increase for the forthcoming year.

## Directors' remuneration policy

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

This policy was last voted on at the 2017 Annual General Meeting where 89.2 per cent. of shareholders voted for the resolution approving the Directors' Remuneration Policy which shows significant shareholder support.

The maximum level of non-executive Directors' remuneration is £100,000 per annum which is fixed by the Company's Articles of Association; amendment to this is by way of an ordinary resolution.

To provide extra flexibility in the case, for example, of an additional Board member being appointed prior to the retirement of an existing Director it is intended that the limit of non-executive Directors' remuneration is increased so as not to exceed £150,000 per annum in aggregate, with effect from

1 July 2018. The amendment will be proposed as an ordinary resolution at the forthcoming Annual General Meeting. Details regarding this proposed change can be seen on page 31 of the Directors' report.

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. In accordance with the recommendations of the AIC Code, Directors who have served the Company for longer than nine years are subject to annual re-election, and any non-independent Directors are also subject to annual re-election. At the forthcoming Annual General Meeting Dr. Neil Cross, Patrick Reeve and Modwenna Rees-Mogg will retire and be proposed for re-election.

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

Shareholders' views in respect of Directors' remuneration are regarded highly and the Board encourages shareholders' to attend its Annual General Meeting in order to communicate their thoughts, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 89.9 per cent. of shareholders voted for the resolution approving the Directors' remuneration report showing significant shareholder support.

## Annual report on remuneration

The remuneration of individual Directors' is determined by the Remuneration Committee within the framework set by the Board. The Committee meets at least once a year and met once during the year under review with full attendance from all of its members.

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

# Directors' remuneration report continued

## Directors' remuneration

The following items have been audited.

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

	<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
Dr. Neil Cross	<b>25.0</b>	22.0
Robin Archibald*	<b>24.0</b>	26.5
Modwenna Rees-Mogg	<b>22.0</b>	20.5
Mary Anne Cordeiro	<b>22.0</b>	20.5
Patrick Reeve	–	–
	<b>93.0</b>	89.5

\*Robin Archibald as Chairman of the Audit Committee was paid an additional one-off payment of £5,000 during the year ended 31 December 2016 in recognition of the significant amount of additional work he undertook on the turnaround analysis and other corporate work on behalf of the Board.

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

Each Director of the Company was remunerated personally through the Manager's payroll, which has been recharged to the Company.

In addition to Directors' remuneration, the Company paid an annual premium in respect of Directors' & Officers' Liability Insurance of £11,866 (2016: £11,611).

The table below shows the expected payment to be received by each Director for the year to 31 December 2018.

	<b>31 December 2018 £'000</b>
Dr. Neil Cross	<b>25</b>
Robin Archibald	<b>24</b>
Modwenna Rees-Mogg	<b>22</b>
Mary Anne Cordeiro	<b>22</b>
Patrick Reeve	–
	<b>93</b>

## Directors' interests

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:

	<b>Shares held on 31 December 2017</b>	<b>Shares held on 31 December 2016</b>
Dr. Neil Cross	<b>177,790</b>	177,790
Robin Archibald	<b>27,479</b>	27,479
Modwenna Rees-Mogg	<b>3,504</b>	3,504
Mary Anne Cordeiro	<b>5,123</b>	4,844
Patrick Reeve	<b>625,218</b>	587,200

There have been no changes in the holdings of the Directors between 31 December 2017 and the date of this Report.

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

The following items have not been audited.

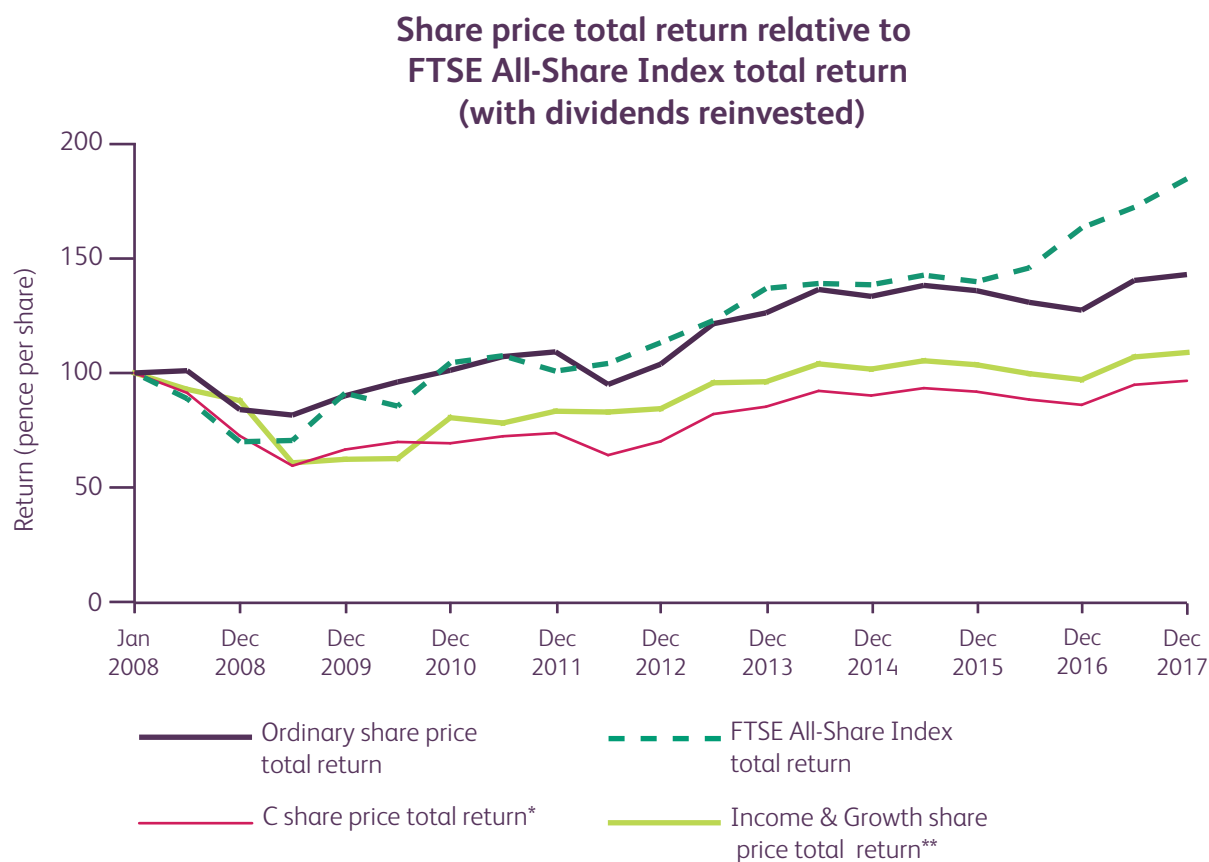
Albion Capital Group LLP, its Partners and staff (including Patrick Reeve) hold 1,202,004 shares in the Company.

## Performance graph

The graph that follows shows the Company's Ordinary share, C share and Income & Growth share price total return against the FTSE All-Share Index total return, in both instances with dividends reinvested, since 1 January 2008. The Directors consider the FTSE All-Share Index to be the most appropriate indicative benchmark for the Company as it contains a large range of sectors within the UK economy similar to a generalist VCT. Investors should, however, be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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

# Directors' remuneration report continued



Source: Albion Capital Group LLP

Methodology: The share price return to the shareholder, including original amount invested (rebased to 100) from 1 January 2008, assuming that dividends were re-invested at the share price of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

\*The C shares converted to Ordinary shares on 31 March 2011 on the basis of their respective net asset values, with each C shareholder receiving 0.7779 Ordinary shares for each C share they owned.

\*\* Albion Income & Growth VCT PLC was merged with the Company on 15 November 2013 on the basis of their respective net asset values, with each Income & Growth shareholder receiving 0.7813 Ordinary shares in the Company for each Income & Growth share they owned.

## Director's pay compared to distribution to Shareholders

	2017 £'000	2016 £'000	Percentage change
Total dividend distribution to shareholders	3,891	4,458	(12.7%)
Share buybacks	1,719	1,638	4.9%
Total Directors fees	93	90	3.3%

By Order of the Board

**Dr N E Cross**

Chairman

29 March 2018



# Independent Auditor's report to the Members of Albion Technology & General VCT PLC

## Opinion

We have audited the financial statements of Albion Technology & General VCT PLC (the "company") for the year ended 31 December 2017 which comprise the income statement, the balance sheet, the statement of changes in equity and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's report to the Members of Albion Technology & General VCT PLC continued

Key Audit Matter	Audit response
<p><b>Valuation of investments (Note 2 and 11 to the financial statements)</b></p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations.</p> <p>The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 5.</p> <p>As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations. The existence of an expense cap in the management agreement enhances this risk.</p>	<p>We tested a sample of 82 % of the unquoted investment portfolio by value of investment holdings.</p> <p>We performed preliminary analytical procedures to determine our investment sample and the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement.</p> <p>33 % of the unquoted portfolio is based on valuations using net assets (i.e. cash held), cost (where the investment was recently acquired) or the price of a recent investment. For such investments, we checked the cost or net assets to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 December 2017.</p> <p>The remaining 67 % of the investment portfolio is valued with reference to more subjective techniques with 46 % supported by a valuation performed by a third party (20 % based on discounted cash flows and 26 % using earnings multiples). The remaining 21 % of the portfolio is valued using multiples of revenue or earnings, as described in note 11.</p> <p>Our detailed testing for such investments, performed on all investments within our sample comprised:</p> <ul style="list-style-type: none"> <li>• Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines obtaining management explanations</li> <li>• Re-performed the calculation of the multiples-based investment valuations</li> <li>• Where a valuation has been performed by a third party management's expert, we assessed the competence and capabilities of that expert, the quality of their work and their qualifications, as well as challenging the basis of inputs and assumptions used by the expert (i.e. discount rates and earnings multiples). We also considered any updates for subsequent information to the valuation made by the investment manager and obtained appropriate evidence for those changes</li> <li>• Benchmarked key inputs and estimates to independent information and our own research</li> <li>• Challenged the assumptions inherent in the valuation of unquoted investments and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements</li> <li>• Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation</li> <li>• Developed our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.</li> </ul> <p>For investments not included in our detailed testing, we performed the following procedures where relevant:</p> <ul style="list-style-type: none"> <li>• Considered whether the valuation had been prepared by a suitably qualified individual</li> <li>• Considered whether a valid IPEV methodology had been adopted</li> <li>• Considered whether the valuation used up to date trading information</li> </ul>

# Independent Auditor's report to the Members of Albion Technology & General VCT PLC continued

Key Audit Matter	Audit response
	<p>For a sample of loans held at fair value, we:</p> <ul style="list-style-type: none"> <li>• Vouched security held to documentation</li> <li>• Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept (i.e. the investment as a whole)</li> <li>• Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP</li> </ul>
<p><b>Revenue recognition</b></p> <p><b>(Note 2 and 4 to the financial statements)</b></p> <p>Revenue consists primarily of interest earned on loans to investee companies, as well as dividends receivable from investee companies.</p> <p>Revenue recognition is considered to be a significant risk, particularly the assessment of the recoverability of loan interest income, and the completeness of dividends, as it is one of the key drivers of dividend returns to investors.</p> <p>Income arises from unquoted investments and can be difficult to predict. It is often a key factor in demonstrating the performance of the portfolio.</p>	<p>We developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.</p> <p>We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income, considering management information relevant to the ability of the portfolio company to service the loan and the reasons for any arrears of loan interest.</p> <p>In respect of dividends receivable, we compared actual income to expectations set based on independent published data or management information from the investee company on dividends declared by the portfolio companies held.</p>

## Our application of materiality

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

We determined final materiality for the financial statements as a whole to be £1,250,000 based on 2% of the value of investments. On the basis of our risk assessment, together with our assessment of the control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, namely £935,000. Our objective in adopting this approach was to ensure that total detected and undetected audit differences do not exceed our final materiality of £1,250,000 for the financial statements as a whole.

# Independent Auditor's report to the Members of Albion Technology & General VCT PLC continued

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (2% value of Investments)	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	<ul style="list-style-type: none"> <li>The value of investments</li> <li>The level of judgement inherent in the valuation</li> <li>The range of reasonable alternative valuation</li> </ul>	1,250,000
Specific materiality – classes of transactions and balances which impact on revenue profits (10% gross expenditure)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> <li>The level of net income return</li> </ul>	195,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £11,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

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

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

# Independent Auditor's report to the Members of Albion Technology & General VCT PLC continued

## Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 December 2008 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 31 December 2017 by the Board. The period of total uninterrupted engagement is 10 years, covering the years ending 31 December 2008 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

## Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom  
29 March 2018

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



# Income statement

	Note	Year ended 31 December 2017			Year ended 31 December 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	5,145	5,145	–	2,419	2,419
Investment income	4	995	–	995	1,570	–	1,570
Investment management fees	5	(410)	(1,231)	(1,641)	(369)	(1,108)	(1,477)
Other expenses	6	(308)	–	(308)	(284)	–	(284)
<b>Profit on ordinary activities before tax</b>		<b>277</b>	<b>3,914</b>	<b>4,191</b>	<b>917</b>	<b>1,311</b>	<b>2,228</b>
Tax (charge)/credit on ordinary activities	8	(44)	44	–	(166)	167	1
<b>Profit and total comprehensive income attributable to shareholders</b>		<b>233</b>	<b>3,958</b>	<b>4,191</b>	<b>751</b>	<b>1,478</b>	<b>2,229</b>
<b>Basic and diluted return per share (pence)*</b>	10	<b>0.2</b>	<b>4.1</b>	<b>4.3</b>	<b>0.8</b>	<b>1.7</b>	<b>2.5</b>

\* excluding treasury shares.

The accompanying notes on pages 51 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.

# Balance sheet

	Note	31 December 2017 £'000	31 December 2016 £'000
<b>Fixed asset investments</b>	11	60,724	57,021
<b>Current assets</b>			
Current asset investments	13	1,372	–
Trade and other receivables less than one year	13	930	1,096
Cash and cash equivalents		10,154	6,752
		12,456	7,848
<b>Total assets</b>		73,180	64,869
<b>Payables: amounts falling due within one year</b>			
Trade and other payables less than one year	14	(532)	(443)
<b>Total assets less current liabilities</b>		72,648	64,426
<b>Equity attributable to equity holders</b>			
Called up share capital	15	1,143	1,007
Share premium		23,469	46,585
Capital redemption reserve		28	28
Unrealised capital reserve		9,692	4,625
Realised capital reserve		8,549	9,658
Other distributable reserve		29,767	2,523
<b>Total equity shareholders' funds</b>		72,648	64,426
<b>Basic and diluted net asset value per share (pence)*</b>	16	71.9	71.6

\* excluding treasury shares.

The accompanying notes on pages 51 to 64 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and were authorised for issue on 29 March 2018 and were signed on its behalf by

**Dr. N E Cross**  
Chairman

Company number: 04114310

# Statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
<b>As at 1 January 2017</b>	<b>1,007</b>	<b>46,585</b>	<b>28</b>	<b>4,625</b>	<b>9,658</b>	<b>2,523</b>	<b>64,426</b>
Return/(loss) and total comprehensive income for the year	–	–	–	4,750	(792)	233	4,191
Transfer of previously unrealised losses on disposal of investments	–	–	–	317	(317)	–	–
Purchase of shares for treasury	–	–	–	–	–	(1,719)	(1,719)
Issue of equity	136	9,750	–	–	–	–	9,886
Cost of issue of equity	–	(245)	–	–	–	–	(245)
Cancellation of Share premium**	–	(32,621)	–	–	–	32,621	–
Dividends paid	–	–	–	–	–	(3,891)	(3,891)
<b>As at 31 December 2017</b>	<b>1,143</b>	<b>23,469</b>	<b>28</b>	<b>9,692</b>	<b>8,549</b>	<b>29,767</b>	<b>72,648</b>
<b>As at 1 January 2016</b>	<b>919</b>	<b>40,171</b>	<b>28</b>	<b>(424)</b>	<b>13,229</b>	<b>7,868</b>	<b>61,791</b>
Return/(loss) and total comprehensive income for the year	–	–	–	1,937	(459)	751	2,229
Transfer of previously unrealised losses on disposal of investments	–	–	–	3,112	(3,112)	–	–
Purchase of shares for treasury	–	–	–	–	–	(1,638)	(1,638)
Issue of equity	88	6,574	–	–	–	–	6,662
Cost of issue of equity	–	(160)	–	–	–	–	(160)
Dividends paid	–	–	–	–	–	(4,458)	(4,458)
<b>As at 31 December 2016</b>	<b>1,007</b>	<b>46,585</b>	<b>28</b>	<b>4,625</b>	<b>9,658</b>	<b>2,523</b>	<b>64,426</b>

\* These reserves amount to £38,316,000 (2016: £12,181,000) which is considered distributable.

\*\* Following approval by shareholders and the High Court, an amount of £32,620,666 was reclassified to the other distributable reserve.

# Statement of cash flows

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Cash flow from operating activities</b>		
Loan stock income received	921	1,185
Dividend income received	74	76
Deposit interest received	7	80
Investment management fees paid	(1,569)	(1,413)
Other cash payments	(295)	(281)
Corporation tax received/(paid)	1	(32)
<b>Net cash flow from operating activities</b>	<b>(861)</b>	<b>(385)</b>
<b>Cash flow from investing activities</b>		
Purchase of current asset investments	(1,350)	–
Purchase of fixed asset investments	(6,623)	(3,821)
Disposal of fixed asset investments	8,202	3,044
<b>Net cash flow from investing activities</b>	<b>229</b>	<b>(777)</b>
<b>Cash flow from financing activities</b>		
Issue of ordinary share capital	9,072	5,869
Cost of issue of equity	(3)	(8)
Dividends paid	(3,318)	(3,818)
Purchase of own shares (including costs)	(1,717)	(1,638)
<b>Net cash flow from financing activities</b>	<b>4,034</b>	<b>405</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>3,402</b>	<b>(757)</b>
Cash and cash equivalents at start of period	6,752	7,509
<b>Cash and cash equivalents at end of period</b>	<b>10,154</b>	<b>6,752</b>
<b>Cash and cash equivalents comprise</b>		
Cash at bank and in hand	10,154	6,752
Cash equivalents	–	–
<b>Total cash and cash equivalents</b>	<b>10,154</b>	<b>6,752</b>

# Notes to the Financial Statements

## 1. Basis of preparation

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

The preparation of the Financial Statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The most critical estimates and judgements relate to the determination of carrying value of investments at fair value through profit and loss ("FVTPL"). The Company values investments by following the International Private Equity and Venture Capital Valuation ("IPEVCV") Guidelines and further detail on the valuation techniques used are outlined in note 2 below.

Company information can be found on page 2.

## 2. Accounting policies

### Fixed and current asset investments

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

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

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

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

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

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

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

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



# Notes to the Financial Statements continued

## **Investment income**

### *Equity income*

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

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

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

### *Bank interest income*

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

## **Investment management fees and expenses**

All expenses have been accounted for on an accruals basis. Expenses are charged through the other distributable reserve except the following which are charged through the realised capital reserve:

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

## **Performance incentive fee**

Any performance incentive fee will be allocated between other distributable and realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

## **Taxation**

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

Deferred tax is provided in full on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the Financial Statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements. As a VCT the Company has an exemption from tax on capital gains. The Company intends to continue meeting the conditions required to obtain approval as a VCT in the foreseeable future. The Company therefore, should have no material deferred tax timing

differences arising in respect of the revaluation or disposal of investments and the Company has not provided for any deferred tax.

## **Reserves**

### *Share premium*

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

### *Capital redemption reserve*

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

### *Unrealised capital reserve*

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

### *Realised capital reserve*

The following are disclosed in this reserve:

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

### *Other distributable reserve*

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

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

## **Dividends**

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

## **Segmental reporting**

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

# Notes to the Financial Statements continued

## 3. Gains on investments

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Unrealised gains on fixed asset investments	4,728	1,937
Unrealised gains on current asset investments	22	–
Realised gains on fixed asset investments	395	482
	<b>5,145</b>	<b>2,419</b>

## 4. Investment income

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Income recognised on investments</b>		
Loan stock interest and other fixed returns	915	1,417
UK dividend income	74	76
Bank deposit interest	6	77
	<b>995</b>	<b>1,570</b>

Interest income earned on impaired investments at 31 December 2017 amounted to £3,000 (2016: £154,000).

## 5. Investment management fees

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Investment management fee charged to revenue	410	369
Investment management fee charged to capital	1,231	1,108
	<b>1,641</b>	<b>1,477</b>

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on pages 13 and 14.

During the year, services of a total value of £1,641,000 (2016: £1,477,000) were purchased by the Company from Albion Capital Group LLP in respect of management fees. At the financial year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals was £446,000 (2016: £373,000). The total annual running costs of the Company are capped at an amount equal to 2.75 per cent. of the Company's net assets, with any excess being met by Albion by way of a reduction in management fees. During the year, the management fee was reduced by £137,000 as a result of this cap (2016: £133,000).

During the year, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (2016: nil).

Albion Capital Group LLP, its partners and staff (including Patrick Reeve) hold 1,202,004 Ordinary shares in the Company.

Albion Capital Group LLP is, from time to time, eligible to receive transaction fees and monitoring fees from portfolio companies. During the year ended 31 December 2017, fees of £305,000 attributable to the investments of the Company were received by Albion Capital Group LLP pursuant to these arrangements (2016: £197,000).

Additionally, following approval at the 2017 Annual General Meeting of the investment policy which permitted investment of working capital in open-ended funds to obtain equity returns, an amount of £1,350,000 was invested in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") as part of the Company's management of surplus liquid funds. To avoid double charging, Albion agreed to reduce its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM. This resulted in a further reduction of the management fee of £3,000 (2016: £nil).

# Notes to the Financial Statements continued

## 6. Other expenses

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Directors' fees (including NIC)	101	97
Auditor's remuneration for statutory audit services (excluding VAT)	28	26
Tax services	17	17
Other administrative expenses	162	144
	<b>308</b>	<b>284</b>

## 7. Directors' fees

The amounts paid to and on behalf of the Directors during the year are as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Directors' fees	93	90
National insurance	8	7
	<b>101</b>	<b>97</b>

The Company's key management personnel are the Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 39 to 41.

## 8. Tax on ordinary activities

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
UK corporation tax charge in respect of current year	–	–
UK corporation tax credit in respect of prior years	–	(1)
	<b>–</b>	<b>(1)</b>

### Factors affecting the tax charge:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Return on ordinary activities before taxation	4,191	2,228
Tax charge on profit at the average companies rate of 19.25 per cent.	807	446
Factors affecting the charge:		
Non-taxable gains	(990)	(484)
Income not taxable	(14)	(15)
Non-deductible expenses	5	–
Excess management expenses carried forward	192	53
Adjustment in respect of prior years	–	(1)
	<b>–</b>	<b>(1)</b>

# Notes to the Financial Statements continued

## 8. Tax on ordinary activities (continued)

The tax charge for the year shown in the Income statement is lower than the average companies rate of corporation tax in the UK of 19.25 per cent. (2016: 20 per cent.). The differences are explained above.

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

### Notes

- (i) Venture Capital Trusts are not subject to corporation tax on capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate and allocating the relief between revenue and capital in accordance with the SORP.
- (iii) The Company has excess management expenses of £1,268,000 (2016: £267,000) that are available for offset against future profits. A deferred tax asset of £216,000 (2016: £53,000) has not been recognised in respect of these losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

## 9. Dividends

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Dividend of 1.25p per share paid on 29 January 2016	–	1,045
Dividend of 1.25p per share paid on 29 April 2016	–	1,146
Dividend of 1.25p per share paid on 30 June 2016	–	1,135
Dividend of 1.25p per share paid on 31 October 2016	–	1,132
Dividend of 1.00p per share paid on 31 January 2017	900	–
Dividend of 1.00p per share paid on 30 June 2017	978	–
Dividend of 2.00p per share paid on 29 December 2017	2,013	–
	<b>3,891</b>	<b>4,458</b>

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 December 2018 of 2.0 pence per share. The dividend will be paid on 29 June 2018 to shareholders on the register on 1 June 2018. The total dividend will be approximately £2,056,000. All dividends are paid out of the other distributable reserve as shown on the Balance sheet.

## 10. Basic and diluted return per share

	Year ended 31 December 2017			Year ended 31 December 2016		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit attributable to equity shares (£'000)	233	3,958	4,191	751	1,478	2,229
Weighted average shares in issue (excluding treasury shares)		96,895,249			89,594,274	
Return attributable per equity share (pence)	0.2	4.1	4.3	0.8	1.7	2.5

The weighted average number of shares is calculated excluding treasury shares of 13,268,070 (2016: 10,705,070).

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

## 11. Fixed asset investments

	31 December 2017 £'000	31 December 2016 £'000
<b>Investments held at fair value through profit or loss</b>		
Unquoted equity and preference shares	32,338	23,887
Quoted equity	1,106	1,850
Unquoted loan stock	27,280	31,284
	<b>60,724</b>	<b>57,021</b>
	31 December 2017 £'000	31 December 2016 £'000
<b>Opening valuation</b>	<b>57,021</b>	<b>52,711</b>
Purchases at cost	7,861	3,821
Disposal proceeds	(9,265)	(2,164)
Realised gains	395	482
Movement in loan stock accrued income	(16)	234
Unrealised gains	4,728	1,937
<b>Closing valuation</b>	<b>60,724</b>	<b>57,021</b>
<b>Movement in loan stock accrued income</b>		
Opening accumulated movement in loan stock accrued income	421	187
Movement in loan stock accrued income	(16)	234
<b>Closing accumulated movement in loan stock accrued income</b>	<b>405</b>	<b>421</b>
<b>Movement in unrealised gains/(losses)</b>		
Opening accumulated unrealised gains/(losses)	4,577	(472)
Transfer of previously unrealised losses to realised reserve on disposal of investments	317	3,112
Movement in unrealised gains	4,728	1,937
<b>Closing accumulated unrealised gains</b>	<b>9,622</b>	<b>4,577</b>
<b>Historic cost basis</b>		
Opening book cost	52,023	52,996
Purchases at cost	7,861	3,821
Sales at cost	(9,187)	(4,795)
<b>Closing book cost</b>	<b>50,697</b>	<b>52,023</b>

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

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



# Notes to the Financial Statements continued

## 11. Fixed asset investments (continued)

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

	31 December 2017 £'000	31 December 2016 £'000
<b>Valuation methodology</b>		
Third party valuation – earnings multiple	15,380	13,342
Cost and price of recent investment (reviewed for impairment or uplift)	13,841	8,238
Third party valuation – discounted cash flow	11,891	12,096
Revenue multiple	10,403	7,192
Net assets	5,485	4,813
Earnings multiple	2,618	4,282
Offer price	–	5,208
	<b>59,618</b>	<b>55,171</b>

Fair value investments had the following movements between valuation methodologies between 31 December 2016 and 31 December 2017:

	31 December 2017 £'000	Explanatory note
<b>Change in valuation methodology (2016 to 2017)</b>		
Revenue multiple to price of recent investment	788	Recent external funding round
Cost to net assets	630	More appropriate valuation methodology
Cost to revenue multiple	201	More recent information available

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2017.

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

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

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

Investments held at fair value through profit or loss (Level 3) had the following movements in the year to 31 December 2017:

	31 December 2017			31 December 2016		
	Equity £'000	Unquoted loan stock £'000	Total £'000	Equity £'000	Unquoted loan stock £'000	Total £'000
Opening balance	23,887	31,284	55,171	20,014	30,303	50,317
Additions	5,115	2,746	7,861	2,081	1,740	3,821
Disposals	(2,825)	(6,440)	(9,265)	(1,473)	(691)	(2,164)
Accrued loan stock interest	–	(16)	(16)	–	234	234
Realised gains/(losses)	641	(246)	395	531	(49)	482
Debt/equity swap and restructurings	157	(157)	–	1,500	(1,500)	–
Unrealised gains	5,363	109	5,472	1,234	1,247	2,481
<b>Closing balance</b>	<b>32,338</b>	<b>27,280</b>	<b>59,618</b>	<b>23,887</b>	<b>31,284</b>	<b>55,171</b>

# Notes to the Financial Statements continued

## 11. Fixed asset investments (continued)

FRS 102 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. 61 per cent. of the portfolio of investments is based on cost, recent investment price, net assets or is loan stock, and as such the Board considers that the assumptions used for their valuations are the most reasonable. The Directors believe that changes to reasonable possible alternative assumptions (by adjusting the revenue and earnings multiples) for the valuations of the remainder of the portfolio companies could result in an increase in the valuation of investments by £1,585,000 or a decrease in the valuation of investments by £1,322,000. For valuations based on earnings and revenue multiples, the Board considers that the most significant input is the price/earnings ratio; for valuations based on third party valuations, the Board considers that the most significant inputs are price/earnings ratio, discount factors and market values for buildings; which have been adjusted to drive the above sensitivities.

## 12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments. Although the Company, through the Manager, will, in some cases, be represented on the Board of the portfolio company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The investments listed below are held as part of an investment portfolio and therefore, as permitted by FRS 102 section 9.9B, they are measured at FVTPL and not accounted for using the equity method.

The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio companies as at 31 December 2017 as described below:

Company	Registered postcode	Profit/(loss) before tax £'000	Net assets/ (liabilities) £'000	Result for year ended	% class and share type	% total voting rights
Albion Investment Properties Limited	EC2R 7AF, UK	n/a*	(767)	31 December 2016	31.8% A Ordinary	31.8%
Bravo Inns Limited	WA4 1AG, UK	n/a*	(482)	31 March 2017	28.8% Ordinary	28.8%
MHS 1 Limited	EC2R 7AF, UK	n/a*	(3,916)	31 March 2017	22.5% Ordinary	22.5%
Mi-Pay Group PLC	GU19 5HL, UK	(439)	638	31 December 2016	21.6% Ordinary	21.6%
memsstar Limited	EH3 9EP, UK	(123)	2,164	31 December 2016	67.3% A Ordinary	30.1%
Premier Leisure (Suffolk) Limited	EC2R 7AF, UK	n/a*	836	30 June 2016	25.8% Ordinary	25.8%
The Q Garden Company Limited	EC2R 7AF, UK	n/a*	(4,613)	31 January 2017	33.4% A Ordinary	33.4%
TWCL Limited	EC2R 7AF, UK	n/a*	(3,454)	30 September 2017	25.2% Ordinary	25.2%

\*The Company files filleted accounts which does not disclose this information.

## 13. Current assets

	31 December 2017 £'000	31 December 2016 £'000
<b>Current asset investments</b>		
SVS Albion OLIM UK Equity Income Fund	1,372	–

Current asset investments at 31 December 2017 consist of cash invested in SVS Albion OLIM UK Equity Income Fund and is capable of realisation within 7 days. These fall into the level 1 fair value hierarchy as defined in note 11.

	31 December 2017 £'000	31 December 2016 £'000
<b>Trade and other receivables less than one year</b>		
Prepayments and accrued income	20	20
Other receivables	2	60
UK corporation tax receivable	–	1
Deferred consideration	908	1,015
	<b>930</b>	<b>1,096</b>

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

# Notes to the Financial Statements continued

## 14. Payables: amounts falling due within one year

	31 December 2017 £'000	31 December 2016 £'000
Trade payables	5	8
Accruals and deferred income	527	435
	<b>532</b>	<b>443</b>

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

## 15. Called up share capital

	£'000
Allotted, called up and fully paid	
100,671,234 Ordinary shares of 1 penny each at 31 December 2016	1,007
13,598,077 Ordinary shares of 1 penny each issued during the year	136
<b>114,269,311 Ordinary shares of 1 penny each at 31 December 2017</b>	<b>1,143</b>
10,705,070 Ordinary shares of 1 penny each held in treasury at 31 December 2016	(107)
2,563,000 Ordinary shares purchased during the year to be held in treasury	(26)
<b>13,268,070 Ordinary shares of 1 penny each held in treasury at 31 December 2017</b>	<b>(133)</b>
<b>101,001,241 Ordinary shares of 1 penny each in circulation* at 31 December 2017</b>	<b>1,010</b>

\* Carrying one vote each

The Company purchased 2,563,000 Ordinary shares (2016: 2,423,000) to be held in treasury at a cost of £1,719,000 including stamp duty (2016: £1,638,000) during the period to 31 December 2017. Total share buy backs in 2017 represents 2.5 per cent. (2016: 2.4 per cent.) of called-up share capital.

The Company holds a total of 13,268,070 shares (2016: 10,705,070) in treasury representing 11.6 per cent. (2016: 10.6 per cent.) of the issued Ordinary share capital at 31 December 2017.

Under the terms of the dividend reinvestment scheme, the following new Ordinary shares of nominal value 1 penny each were allotted during the year:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
31 January 2017	193,189	2	68.75	131	61.50
30 June 2017	200,714	2	71.10	141	68.50
29 December 2017	415,257	4	71.70	296	67.75
	<b>809,160</b>	<b>8</b>		<b>568</b>	

# Notes to the Financial Statements continued

## 15. Called up share capital (continued)

During the period to 31 December 2017, the Company issued the following new Ordinary shares of nominal value 1 penny each under the Albion VCTs Prospectus Top Up Offers 2016/2017:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
31 January 2017	1,063,482	11	70.2	732	61.50
31 January 2017	377,120	4	70.6	260	61.50
31 January 2017	3,856,902	39	70.9	2,652	61.50
28 March 2017	2,800,677	28	72.8	1,978	64.50
7 April 2017	19,619	–	72.1	14	68.00
7 April 2017	22,126	–	72.5	15	68.00
7 April 2017	234,840	2	72.8	166	68.00
	<b>8,374,766</b>	<b>84</b>		<b>5,817</b>	

During the period to 31 December 2017, the Company issued the following new Ordinary shares of nominal value 1 penny each under the Albion VCTs Prospectus Top Up Offers 2017/18:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
17 November 2017	1,425,053	14	74.9	1,051	67.75
17 November 2017	692,891	7	75.3	511	67.75
17 November 2017	2,296,207	23	75.6	1,693	67.75
	<b>4,414,151</b>	<b>44</b>		<b>3,255</b>	

## 16. Basic and diluted net asset value per share

	31 December 2017 (pence per share)	31 December 2016 (pence per share)
Basic and diluted net asset value per Ordinary share	<b>71.9</b>	71.6

The basic and diluted net asset values per share at the year end are calculated in accordance with the Articles of Association and are based upon total shares in issue (less treasury shares) of 101,001,241 Ordinary shares at 31 December 2017 (2016: 89,966,164 Ordinary shares).

## 17. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes and this is described in more detail on page 8 of the Chairman's statement.

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

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

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

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

The Board regularly reviews and agrees policies for managing each of these risks. There have been no changes in the nature of the risks that the Company has faced during the past year, and apart from where noted below, there have been no changes in the objectives, policies or processes for managing risks during the past year. The key risks are summarised below.

### Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in quoted and unquoted investments, details of which are shown on pages 20 to 22. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio company and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment risk.

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

The Board monitors the prices at which sales of investments are made to ensure that profits to the Company are maximised, and that valuations of investments retained within the portfolio appear sufficiently prudent and realistic compared to prices being achieved in the market for sales of quoted and 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 £62,096,000 (2016: £57,021,000). Fixed and current asset investments form 85 per cent. of the net asset value as at 31 December 2017 (2016: 89 per cent.).

More details regarding the classification of fixed and current asset investments are shown in notes 11 and 13.

### Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with up to two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield, 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 20 to 22 and in the Strategic report.

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

As required under FRS 102 section 34.29, the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed 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 by £6,210,000 (2016: £5,702,000).

# Notes to the Financial Statements continued

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

### Interest rate risk

The Company is exposed to fixed and floating rate interest rate risk on its financial assets. On the basis of the Company's analysis, it is estimated that a rise of 1 % in all interest rates would have increased total return before tax for the year by approximately £97,000 (2016: £77,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average effective interest rate applied to the Company's unquoted loan stock during the year was approximately 3.6 per cent. (2016: 4.7 per cent.). The weighted average period to maturity for the unquoted loan stock is approximately 3.3 years (2016: 3.1 years).

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

	31 December 2017				31 December 2016			
	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	–	–	32,338	32,338	–	–	23,887	23,887
Quoted equity	–	–	1,106	1,106	–	–	1,850	1,850
Unquoted loan stock	25,948	–	1,332	27,280	28,440	–	2,844	31,284
Current asset investments	–	–	1,372	1,372	–	–	–	–
Receivables*	–	–	911	911	–	–	1,076	1,076
Current liabilities	–	–	(532)	(532)	–	–	(443)	(443)
Cash	–	10,154	–	10,154	–	6,752	–	6,752
<b>Total</b>	<b>25,948</b>	<b>10,154</b>	<b>36,527</b>	<b>72,629</b>	<b>28,440</b>	<b>6,752</b>	<b>29,214</b>	<b>64,406</b>

\*The receivables do not reconcile to the Balance sheet as prepayments and tax refundable are not included in the above table.

### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit risk through its receivables, investment in unquoted loan stock, and through the holding of cash on deposit with banks.

The Manager evaluates credit risk on loan stock 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. In the past loan stock may or may not have a fixed or floating charge, which may or may not have been subordinated, over the assets of the portfolio company. However, for new investments, typically loan stock instruments will have a first fixed charge or a fixed and floating charge over the assets of the portfolio company in order to mitigate the gross credit risk. The Manager receives management accounts from portfolio companies, and members of the investment management team sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment specific credit risk.

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

The Company's total gross credit risk as at 31 December 2017 was limited to £27,280,000 (2016: £31,284,000) of unquoted loan stock instruments (all are secured on the assets of the portfolio company), £10,154,000 (2016: £6,752,000) cash deposits with banks and £930,000 (2016: £1,076,000) of other receivables.

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



# Notes to the Financial Statements continued

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

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.

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

### Liquidity risk

Liquid assets are held as cash on current account, on deposit, in bonds or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited Balance sheet, which amounts to £7,059,000 as at 31 December 2017 (2016: £6,347,000).

The Company has no committed borrowing facilities as at 31 December 2017 (2016: £nil). The Company had cash balances of £10,154,000 (2016: £6,752,000). The main cash outflows are for new investments, share buy-backs 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 £532,000 as at 31 December 2017 (2016: £443,000).

The carrying value of loan stock investments at 31 December 2017, as analysed by expected maturity dates is as follows:

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	5,621	6,596	1,886	14,103
1-2 years	196	26	845	1,067
2-3 years	2,869	–	528	3,397
3-5 years	3,762	–	800	4,562
5+ years	3,237	–	914	4,151
<b>Total</b>	<b>15,685</b>	<b>6,622</b>	<b>4,973</b>	<b>27,280</b>

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

The average annual interest yield on the total cost of past due loan stock is 4.2 per cent. (2016: 4.6 per cent.).

Impaired loan stock has a cost of £6,840,000.

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

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	7,267	4,647	4,029	15,943
1-2 years	1,881	1,869	544	4,294
2-3 years	548	26	862	1,436
3-5 years	3,929	64	1,198	5,191
5+ years	3,085	413	922	4,420
<b>Total</b>	<b>16,710</b>	<b>7,019</b>	<b>7,555</b>	<b>31,284</b>

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

# Notes to the Financial Statements continued

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

### Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 2017 are stated at fair value as determined by the Directors, with the exception of receivables and payables and cash which are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than payables. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

## 18. Commitments and contingencies

The Company had no financial commitments in respect of investments at 31 December 2017 (2016: nil).

There were no contingent liabilities or guarantees given by the Company as at 31 December 2017 (2016: nil).

## 19. Post balance sheet events

Since 31 December 2017 the Company has had the following post balance sheet events:

- Investment of £900,000 in SVS Albion OLIM UK Equity Income Fund;
- Investment of £309,000 in Panaseer Limited; and
- Investment of £204,000 in Koru Kids Limited.

On 6 September 2017 the Company announced the publication of a prospectus in relation to an offer for subscription for new Ordinary shares. A Securities Note, which forms part of the prospectus, has been sent to shareholders.

The following new Ordinary shares of nominal value 1 penny each were allotted under the Offers after 31 December 2017:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
31 January 2018	1,815,597	18	73.6	1,303	67.25

As a result of the strong demand for the Company's shares the Board was able to announce on 28 February 2018 that subscription had reached its £6 million limit under the prospectus offer and was closed.

## 20. Related party transactions

In November 2016, Albion acquired OLIM Investment Managers ("OLIM"), a specialist fund manager of UK quoted equities. During the year, a total of £1,350,000 (2016: £nil) was invested into the SVS Albion OLIM UK Equity Income Fund ("OUEIF") following shareholder approval at the 2017 Annual General Meeting, with a further £900,000 invested after the year end.

Albion agreed to reduce that proportion of its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM; this resulted in a reduction of the management fee of £3,000 (2016: £nil).

Other than transactions with the Manager as disclosed in note 5 and that disclosed above, there are no other related party transactions 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 City of London Club, 19 Old Broad Street, London EC2N 1DS on 6 June 2018 at 11.00am for the following purposes:

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

## Ordinary Business

1. To receive and adopt the Company’s accounts for the year ended 31 December 2017 together with the report of the Directors and Auditor.
2. To approve the Directors’ remuneration report for the year ended 31 December 2017.
3. To re-elect Dr. Neil Cross as a Director of the Company.
4. To re-elect Patrick Reeve as a Director of the Company.
5. To re-elect Modwenna Rees-Mogg as a Director of the Company.
6. To re-appoint BDO LLP as Auditor of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which audited accounts are to be laid.
7. To authorise the Directors to agree the Auditor’s remuneration.

## Special Business

### 8. Increase in Directors’ aggregate remuneration

That under Article 76 of the Articles of the Company, the aggregate amount of the ordinary remuneration of the Directors be increased to an amount not exceeding £150,000 per year.

### 9. Change of investment policy

That the Company’s investment policy be amended by replacing the wording under the heading “Investment policy” with the following:

“The Company will invest in a broad portfolio of unquoted growth and technology businesses. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified in terms of sectors and stages of maturity of portfolio companies.

#### *VCT qualifying and non-qualifying investments*

Application of the investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs (“VCT regulations”). The maximum amount invested in any one company is limited to any HMRC annual investment limits. It is intended that normally at least 80 per cent. of the Company’s funds will be invested in VCT qualifying investments. The VCT regulations also have an impact on the type of investments and qualifying sectors in which the Company can make investment.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 7.5 per cent. of the Company’s assets at the time of investment.

#### *Risk diversification and maximum exposures*

Risk is spread by investing in a number of different businesses within VCT qualifying industry sectors using a mixture of securities. The maximum the Company will invest in a single company is 15 per cent. of the Company’s assets at cost. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of investments’ suitability for sale. It is possible that individual holdings may grow in value to a point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

The Company’s maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not have any intention of utilising long-term gearing.”

### 10. Authority to allot shares

That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) to allot Ordinary shares of nominal value 1 penny per share in the Company up to an aggregate nominal amount of £232,170 provided that this authority shall expire 15 months from the date that this resolution is passed, or, if earlier, the conclusion of the next Annual General Meeting of the Company but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

# Notice of Annual General Meeting continued

---

## **11. Authority for the disapplication of pre-emptive rights**

That, subject to the authority and conditional on the passing of resolution number 10, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 10 and/or sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale.

Under this power the Directors may impose any limits or restrictions and make any arrangements which they deem necessary or expedient to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or laws of, any territory or other matter, arising under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or any other matter.

This power shall expire 15 months from the date that this resolution is passed or, if earlier, the conclusion of the next Annual General Meeting of the Company, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

## **12. Authority to purchase own shares**

That, subject to and in accordance with the Company's Articles of Association, the Company be generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 1 penny each in the capital of the Company ("Ordinary shares"), on such terms as the Directors think fit provided that:

- (a) the maximum aggregate number of shares hereby authorised to be purchased is 17,401,128 shares representing 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of this Notice;
- (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share is 1 penny;
- (c) the maximum price, exclusive of any expenses, which may be paid for a share shall be an amount equal to the higher of (a) 105 % of the average of the middle market quotations for the share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the date on which the share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (d) the authority hereby conferred shall, unless previously revoked, varied or renewed, expire 15 months from the date that this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting; and
- (e) the Company may enter into a contract or contracts to purchase shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

## **13. Authority to sell treasury shares**

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

By Order of the Board

### **Albion Capital Group LLP**

Company Secretary

Registered office

1 King's Arms Yard

London, EC2R 7AF

29 March 2018

Albion Technology & General VCT PLC is registered in England and Wales with number 04114310

# Notice of Annual General Meeting continued

---

## Notes

1. Members entitled to attend, speak and vote at the Annual General Meeting (“AGM”) may appoint a proxy or proxies (who need not be a member of the Company) to exercise these rights in their place at the meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. Proxies may only be appointed by:
  - completing and returning the Form of Proxy enclosed with this Notice to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ;
  - going to [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy) and following the instructions provided there; or
  - by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

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

To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 11.00am on 4 June 2018.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “Nominated Person”) may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 11.00am on 4 June 2018 (or, in the event of any adjournment, on the date which is two business days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this AGM and any adjournment(s) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK and Ireland Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent by 11.00am on 4 June 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

# Notice of Annual General Meeting continued

---

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

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. A copy of this Notice, and other information regarding the AGM, as required by section 311A of the Companies Act 2006, is available from [www.albion.capital/funds/AATG](http://www.albion.capital/funds/AATG) under the "Fund Reports" section.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. Copies of contracts of service and letters of appointment between the Directors and the Company, together with the Register of Directors' Interests in the Ordinary shares of the Company, will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the Articles of Association will be available for inspection at the Company's registered office from the date of the Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.
9. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) 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 AGM: or (ii) any circumstances connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with section 527 and 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, 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 AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.
10. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.
11. Members satisfying the thresholds in Section 388A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.

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

12. As at 27 March 2018 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 116,084,908 Ordinary shares with a nominal value of 1 penny each. The Company also holds 13,268,070 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 27 March 2018 are 102,816,838.







The Association of  
Investment Companies

A member of the Association  
of Investment Companies



This report is printed on Amadeus offset a totally recycled paper produced using 100% recycled waste at a mill that has been awarded the ISO 14001 certificate for environmental management. The pulp is bleached using a totally chlorine free (TCF) process.