

Annual Report and Financial
Statements for the year
ended 31 March 2012



Albion Enterprise VCT PLC

ALBIONVENTURES

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Company information

Company number	05990732
Directors	M Packe, Chairman Lady Balfour of Burleigh Lord St. John of Bletso P H Reeve
Manager, company secretary and registered office	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Auditor	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London EC4A 1JP

Albion Enterprise VCT PLC is a member of The Association of Investment Companies.

Shareholder information	<p>For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC: Tel: 0870 873 5860 (UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls may be recorded) Website: www.computershare.co.uk</p> <p>Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.</p>
IFA information	<p>For enquiries relating to the performance of the Fund, and for IFA information please contact Albion Ventures LLP: Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded) Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk</p>

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

Investment objectives

The aim of Albion Enterprise VCT (“the Company”) is to provide investors with a regular and predictable source of income, combined with the prospect of longer term capital growth. The Company intends to achieve this by investing up to 50 per cent. of the net funds raised in an asset-backed portfolio of lower risk, ungeared businesses, principally operating in the leisure sector and related areas (the “Asset-backed Portfolio”). The balance of the net funds raised, other than funds retained for liquidity purposes, will be invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to higher risk technology companies (the “Growth Portfolio”). Funds awaiting investment in Qualifying Investments or retained for liquidity purposes will be held in gilts, on deposit or invested in floating rate notes or similar instruments, in the latter two cases with banks with a Moody’s credit rating of ‘A’ or above.

The Company’s investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term. The Asset-backed Portfolio is designed to provide stability and income whilst still maintaining the potential for capital growth. The Growth Portfolio is intended to provide highly diversified exposure through its portfolio of investments in unquoted UK companies.

Financial calendar

Record date for first dividend	3 August 2012
Payment of first dividend	31 August 2012
Annual General Meeting	4 September 2012
Announcement of Half-yearly results for the six months ended 30 September 2012	November 2012
Payment of second dividend subject to Board approval	February 2013

Financial highlights

95.25p

Net asset value per share plus dividends paid from launch to 31 March 2012.

3.00p

Tax free dividend per share paid in the year to 31 March 2012.

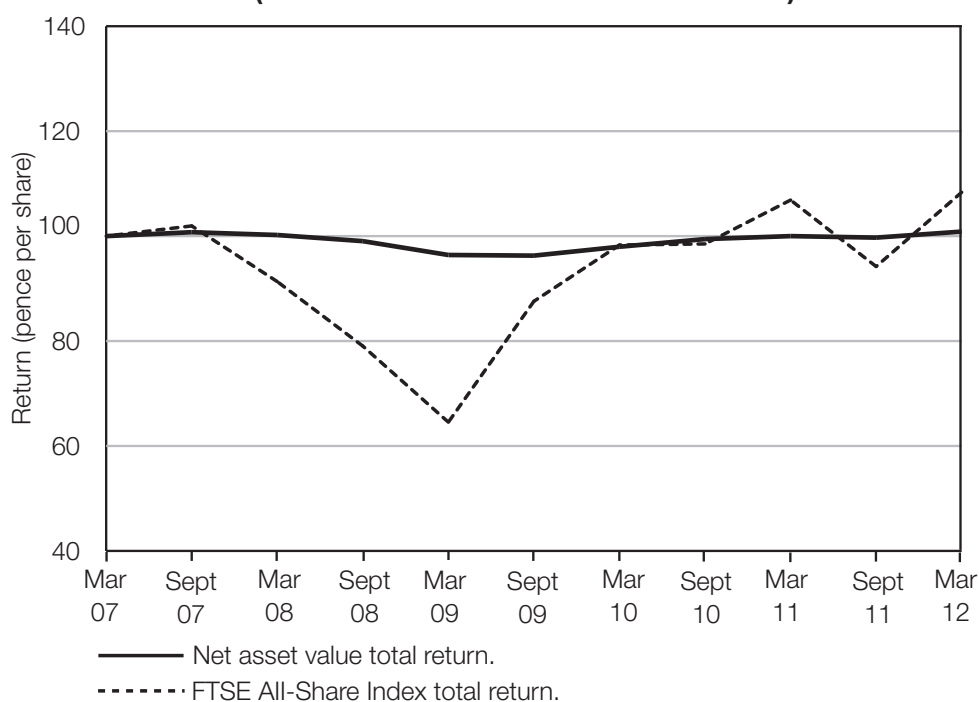
84.90p

Net asset value per share as at 31 March 2012.

1.75p

First tax-free dividend per share declared for the year to 31 March 2013.

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



Source: Albion Ventures LLP

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

Financial summary

	31 March 2012 (pence per share)	31 March 2011 (pence per share)
Dividends paid	3.00	3.00
Revenue return	1.40	1.20
Capital return	(0.60)	0.70
Net asset value	84.90	87.10

Net asset value total return to shareholders since launch:

	31 March 2012 (pence per share)
Total dividends paid during the year ended:	
31 March 2008	0.70
31 March 2009	1.65
31 March 2010	2.00
31 March 2011	3.00
31 March 2012	3.00
Total dividends paid to 31 March 2012	10.35
Net asset value as at 31 March 2012	84.90
Total shareholder net asset return to 31 March 2012	95.25

In addition to the above dividends, the Company will pay a first dividend, for the new financial year, of 1.75 pence per share on 31 August 2012 to shareholders on the register as at 3 August 2012.

Notes

- The dividend of 0.7 pence per share paid during the period ended 31 March 2008 and the first dividend of 0.4 pence per share paid during the year ended 31 March 2009 were paid to shareholders who subscribed in the 2006/2007 offer only.
- All dividends paid by the Company are free of income tax. It is an H.M. Revenue & Customs requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on the dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies – VCTs section of the Financial Times on a daily basis.
- Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value as tax reliefs are only obtainable on initial subscription.

Chairman's statement

Introduction

The Company's result for the year to the 31 March 2012 saw a total return of 0.8 pence per share against a total return of 1.9 pence per share for the previous year. Within this, the gross revenue generated by the investment portfolio increased by a further 9 per cent.

Portfolio progress

Although the net gains on investment are lower than for the previous year, almost all of the VCT's portfolio companies continued to grow. Particularly strong growth was seen at Radnor House School, where the number of pupils is now twice the budgeted level, and which has been given seven 'outstandings' in its first Ofsted report. In addition, Process System Enterprise, which provides simulation modelling for complex industrial processes, including for the offshore oil industry, saw further strong growth. Prospects also continue to look strong for Mirada Medical and Opta Sports Data.

The main write-downs were those companies which, whilst still growing during the period, saw expansion at lower levels than anticipated. These included DySIS and Mi-Pay, respectively in the cervical cancer screening and mobile payment sectors, both of which required additional finance to improve market penetration.

During the year £3.5 million was invested in two new and four existing companies. The new investments comprised £225,000 into Abcodia, a joint investment with the University College London, which owns a 'biomarker' library for use in life sciences research, and £770,000 in Hilson Moran, a mechanical and engineering consultancy.

Risks and uncertainties

The outlook for the UK and global economies continues to be the key risk affecting your Company. Investment risk is mitigated through a variety of processes, including our policy of ensuring that the Company has a first charge over portfolio companies' assets wherever possible and of ensuring that the portfolio is balanced through the inclusion of sectors that are less exposed to the business and consumer cycle.

A detailed analysis of the other risks and uncertainties facing the business is shown on page 17.

Change of registrar

As part of our commitment to improve communications with shareholders, our share registrar has changed to Computershare Investor Services PLC. Albion Ventures LLP is working with Computershare to build on its improvement by providing annual shareholder statements which have just been sent to shareholders.

Reduction of share capital and cancellation of capital reserves

The Board proposes to increase the Company's distributable reserves by way of a reduction of the Company's share capital and cancellation of its share premium account subject to shareholder approval and confirmation by the Court. Details of the resolutions proposing these changes at the Annual General Meeting of the Company are shown on page 20 in the Directors' report.

Discount management and share buy-backs

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interests, including the maintenance of sufficient resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention for such buy-backs to be in the region of a 10 to 15 per cent. discount to net asset value, so far as market conditions and liquidity permit.

Related party transactions

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

Albion VCTs Linked Top Up Offers

During the year the Company issued 1,445,189 shares under the Company's Offer as part of the Albion VCTs Linked Top Up Offers launched in November 2010 and in November 2011. Details are shown in note 15. Since the year end, a further 840,795 shares have been issued under the latter Offer, generating net proceeds of £698,000. The proceeds of the Offers will be used

Chairman's statement continued

to provide further resources to the Albion VCTs at a time when a number of attractive new investment opportunities are being seen.

Results and dividends

As at 31 March 2012, the net asset value of the Ordinary shares was 84.9 pence per share, compared to 87.1 pence per share as at 31 March 2011. The revenue return after taxation was £437,000, compared to £373,000 for the previous year. The Company will pay a first dividend for the financial year to 31 March 2013 of 1.75 pence per share. The dividend will be paid on 31 August 2012 to shareholders on the register at 3 August 2012.

Outlook and prospects

While it is disappointing that capital growth in the portfolio was not higher, we are encouraged by continued increase in investment income. The portfolio contains a number of companies with strong market positions both in the UK and globally and we believe that these have excellent potential in the future. Our strategy remains to balance the portfolio between income-generating, asset-rich businesses and higher growth companies, including those in technology sectors. This approach, balanced with an increasing sector focus on areas where the consumer and business cycles have less influence, gives us optimism for future shareholder returns.

Maxwell Packe

Chairman

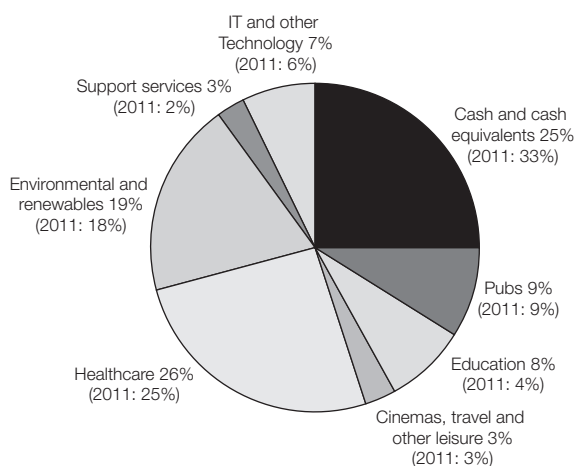
3 July 2012

Manager's report

Portfolio review

The sector analysis of the VCT's investment portfolio by value at the 31 March 2012 is set out below. This shows that healthcare now accounts for 26 per cent. of the portfolio compared to 25 per cent. at the end of the previous financial year. In addition, the environmental and renewable sector has increased from 18.1 per cent. to 18.7 per cent. of net assets. This is in line with the Board's target exposure to the sector, and is unlikely to increase for the time being.

Split of portfolio valuation by sector as at 31 March 2012



Source: Albion Ventures LLP

New investments

During the year, £3.5 million was invested in six companies. We are continuing to look at new opportunities in the healthcare sector, particularly in medical technology. In addition, we are taking an opportunistic view of other sectors and have recently made a further investment in Bravo Inns II where the lack of alternative finance is giving rise to strong opportunities at attractive prices.

Investment performance

The successful sale of Dexela, which completed early on in the financial year, produced a return of between two and three times cost. We are anticipating further proceeds from this disposal during the current financial year. As mentioned in the Chairman's statement, the very great majority of our portfolio companies continued to grow. Within the asset-backed portfolio, Nelson House Hospital, which has been developing a new psychiatric unit in Gosport on the South coast, has now opened and has received its first patients. In addition, Bravo Inns II is showing strong profitability and an increase in trading in a generally difficult environment.

Further progress was seen in the renewable energy portfolio, with £5.2 million now invested. TEG (Biogas) Perth, whose anaerobic digestion unit, creating electricity from waste food, is now fully operational and producing sufficient electricity to power 1,300 houses. Meanwhile Alto Prodotto Wind, whose first wind turbine on a brownfield industrial site in South Wales has now been erected, is producing sufficient electricity to power 325 houses. Finally, our two solar power businesses, Street by Street Solar and Regenerco, now own solar panels on nearly 1,000 residential and 6 commercial buildings.

Albion Ventures LLP

Manager

3 July 2012

The Board of Directors

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

Maxwell Packe (Chairman) FCA (appointed 28 November 2006) is also chairman of Kelvin Hughes Limited. Since 1996 he has been chairman of a number of private equity-backed companies with successful trade sales, including Crestacare PLC, Corgi Classics Limited and Paragon Book Services Limited. Previously he was founder and chief executive of Household Mortgage Corporation PLC from 1986 until its sale in 1994 to Abbey National Plc.

Lord St. John of Bletso (Chairman of the Audit Committee and Senior Independent Director) (appointed 28 November 2006) is a qualified solicitor. He acts as a consultant to 2e2, a provider of mission critical IT services and solutions. He was a consultant to Merrill Lynch until November 2008. He is chairman of the Governing Boards of Certification International Limited and Eurotrust International Limited. He has been a Crossbench Member of the House of Lords since 1979 and an extra Lord-in-Waiting to HM The Queen since 1999. He serves on several EU Select Committees.

Lady Balfour of Burleigh CBE (appointed 28 November 2006) is a non-executive director of Murray International Trust plc and Scottish Oriental Smaller Companies Trust plc. She is also chairman of the Nuclear Liabilities Fund and the Nuclear Liabilities Financing Assurance Board. She was formerly a director of Cable and Wireless plc, Midlands Electricity plc, WH Smith plc and Stagecoach Group plc.

Patrick Reeve MA, ACA, (appointed 28 November 2006) 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 Ventures LLP (formerly Close Ventures Limited) in 1996. He is the managing partner of Albion Ventures LLP and is director of Albion Prime VCT PLC, Albion Income & Growth VCT PLC and Albion Technology & General VCT PLC, all managed by Albion Ventures LLP. He is also a director of UCL Business PLC, the technology transfer arm of University College London, and is on the Council of the BVCA.

All Directors, except for Patrick Reeve, are members of the Audit and the Nomination Committees.

The Manager

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

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

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

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

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

Dr Andrew Elder MA, FRCS, joined Albion Ventures LLP (then Close Ventures Limited) in 2005 and became a Partner in 2009. He 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 has an MA plus Bachelors of Medicine and Surgery from Cambridge University and is a Fellow of the Royal College of Surgeons (England).

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

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

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

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

Dr Christoph Ruedig MA, MBA, joined Albion Ventures LLP as an Investment Manager in October 2011 and primarily focuses on Albion's healthcare investments, alongside Andrew Elder. He initially practised as a radiologist, before spending 3 years at Bain & Company. In 2006 he joined 3i plc working for their Healthcare Venture Capital arm leading investments in Biotechnology, Pharmaceuticals and Medical Technology. Most recently he has worked for General Electric UK, where he was responsible for mergers and acquisitions in the medical technology and healthcare IT sectors. He holds a degree in medicine from Ludwig-Maximilians University, Munich and an MBA from INSEAD.

Henry Stanford MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group in 1992, becoming an assistant director in 1996. He moved to Albion Ventures LLP (then Close Ventures Limited) in 1998. Henry became a Partner in Albion Ventures LLP in 2009. He holds an MA degree in Classics from Oxford University.

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

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

Portfolio of investments

The following is a summary of qualifying fixed asset investments as at 31 March 2012:

Qualifying portfolio	% voting rights	% voting rights of AVL* managed companies	As at 31 March 2012			As at 31 March 2011			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	
Asset-backed investments									
Radnor House School (Holdings) Limited	9.8	50.0	1,700	516	2,216	1,000	27	1,027	489
Nelson House Hospital Limited	18.9	50.0	1,816	8	1,824	1,000	–	1,000	8
Bravo Inns II Limited	14.5	50.0	1,794	10	1,804	1,794	(64)	1,730	74
Regenerco Renewable Energy Limited	18.1	50.0	1,195	9	1,204	999	–	999	9
Taunton Hospital Limited	15.8	50.0	1,000	2	1,002	1,000	3	1,003	(1)
Alto Prodotto Wind Limited	11.1	50.0	1,000	–	1,000	1,000	–	1,000	–
Greenenerco Limited	28.6	50.0	1,000	–	1,000	1,000	–	1,000	–
TEG Biogas (Perth) Limited	16.4	50.0	986	8	994	953	–	953	8
The Street by Street Solar Programme Limited	8.6	50.0	860	7	867	860	–	860	7
Orchard Portman Hospital Limited	10.2	50.0	690	3	693	664	3	667	–
Bravo Inns Limited	8.4	50.0	750	(277)	473	750	(311)	439	34
AVESI Limited	7.5	50.0	172	–	172	172	–	172	–
The Charnwood Pub Company Limited	1.2	50.0	271	(117)	154	290	(117)	173	–
CS (Norwich) Limited	6.3	50.0	100	25	125	100	7	107	18
Total Asset-backed investments			13,334	194	13,528	11,582	(452)	11,130	646
Growth investments									
Masters Pharmaceuticals Limited	6.2	16.9	1,238	(59)	1,179	1,238	(22)	1,216	(37)
Mirada Medical Limited	16.7	50.0	389	449	838	389	351	740	98
Mi-Pay Limited	9.4	49.9	1,175	(379)	796	868	(98)	770	(281)
Hilson Moran Holdings Limited	10.0	50.0	770	18	788	–	–	–	18
Prime Care Holdings Limited	12.5	49.9	1,016	(277)	739	1,016	(76)	940	(201)
Opta Sports Data Limited	2.8	14.2	653	60	713	653	(38)	615	98
DySIS Medical Limited	7.0	19.0	1,117	(501)	616	925	(129)	796	(372)
Process Systems Enterprise Limited	3.6	18.1	366	111	477	295	(56)	239	167
memsstar Limited	5.5	28.1	384	(38)	346	384	49	433	(87)
Oxsensis Limited	3.8	20.6	559	(276)	283	503	(217)	286	(59)
Abcodia Limited	6.4	21.4	225	–	225	–	–	–	–
Lowcosttravelgroup Limited	1.0	26.0	270	(115)	155	270	(194)	76	79
Total Growth investments			8,162	(1,007)	7,155	6,541	(430)	6,111	(577)
Total qualifying investments			21,496	(813)	20,683	18,123	(882)	17,241	69

* Albion Ventures LLP

** As adjusted for additions and disposals during the year.

The cost, movement and value totals for the year ended 31 March 2011 differ to the published accounts due to the disposal of Dexela (see summary of fixed asset realisations below).

Portfolio of investments continued

The following is a summary of current asset investments as at 31 March 2012:

	As at 31 March 2012			As at 31 March 2011			
	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Current asset investments							
Close Brothers Bank Limited fixed term deposit 7 December 2012	1,500	–	1,500	1,500	–	1,500	–
Contingent future receipts on disposal of fixed asset investments	132	–	132	–	–	–	–
Total current asset investments	1,632	–	1,632	1,500	–	1,500	–

The following is a summary of fixed asset realisations in the year to 31 March 2012:

	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/ (loss) on opening value £'000
Fixed asset realisations					
The Charnwood Pub Company Limited (loan stock repaid)	19	15	19	–	4
Dexela Limited	430	885	867	437	(18)
Green Energy Property Services Group Limited	79	40	74	(5)	34
Hilson Moran Holdings Limited (loan stock repaid)	30	30	30	–	–
Nelson House Hospital Limited (loan stock repaid)	37	37	37	–	–
Radnor House School (Holdings) Limited (loan stock repaid)	–	27	26	26	(1)
Total fixed asset realisations	595	1,034	1,053	458	19

The following is a summary of current asset realisations in the year to 31 March 2012:

	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/ (loss) on opening value £'000
Current asset realisations					
UBS AG floating rate note 20 May 2011	2,500	2,507	2,500	–	(7)
UBS AG Royal Skandia Offshore Investment Bond	1,000	–	1,000	–	–
Total current asset realisations	3,500	2,507	3,500	–	(7)

Portfolio companies

The top ten unquoted investments by total aggregate value of equity and loan stock are as follows:

Radnor House School (Holdings) Limited

Radnor House is London's new co-educational independent day school in Twickenham, which opened in September 2011. It is located in historic freehold buildings on the banks of the River Thames in South West London. Students are currently being admitted into the Preparatory and the Senior School.



Radnor House

celebrating every individual

Website: www.radnorhouse.org

Audited results: year to 31 August 2011

	£'000
Turnover	29
Loss before interest	(1,426)
Loss before tax	(1,645)
Net assets	638
Basis of valuation	Net asset value supported by third party valuation

Investment information

	£'000
Income recognised in the year	35
Total cost	1,700
Loan stock valuation	1,462
Equity valuation	754
Voting rights	9.8 per cent.

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

Nelson House Hospital Limited

Nelson House Hospital Limited owns and operates a psychiatric hospital in Gosport, Hampshire. The facility opened in May 2012.

Audited results: year to 30 April 2011

	£'000
Turnover	—
Loss before interest	(193)
Loss before tax	(195)
Net assets	1,577
Basis of valuation	Cost reviewed for impairment

Investment information

	£'000
Income recognised in the year	39
Total cost	1,816
Loan stock valuation	1,174
Equity valuation	650
Voting rights	18.9 per cent.

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

Bravo Inns II Limited

The company was formed in September 2007 and owns and operates 15 freehold pubs in the North of England. The pubs are trading well with considerable demand for the value offering.



Website: www.bravoinsns.com

Abbreviated audited results: year to 31 March 2011

	£'000
Net assets	1,958
Basis of valuation	Net asset value supported by third party valuation

Investment information

	£'000
Income recognised in the year	168
Total cost	1,794
Loan stock valuation	1,231
Equity valuation	573
Voting rights	14.5 per cent.

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

Regenerco Renewable Energy Limited

Regenerco has developed a pipeline of 1.3MW of photovoltaic installations signed to exclusivity across the UK.



The company was incorporated on 1 November 2010 and has not yet filed accounts at Companies House

Investment information

	£'000
Income recognised in the year	88
Total cost	1,195
Loan stock valuation	1,204
Equity valuation	—
Voting rights	18.1 per cent.

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

Masters Pharmaceuticals Limited

Masters is a global healthcare solutions provider, distributing a comprehensive range of prescription drugs, medical devices and supplies in over 35 countries worldwide.



Website: www.masters-uk.com

Audited results: year to 31 December 2010

	£'000
Turnover	19,122
Profit before interest	76
Loss before tax	(116)
Net assets	1,584
Basis of valuation	Earnings multiple

Investment information

	£'000
Income recognised in the year	54
Total cost	1,238
Loan stock valuation	828
Equity valuation	351
Voting rights	6.2 per cent.

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 16.9 per cent.

Portfolio companies continued

Taunton Hospital Limited

The company owns and operates a freehold psychiatric hospital in Taunton, Somerset.

Abbreviated audited results:
year to 30 April 2011
£'000

Net assets	377	Investment information	£'000
Basis of valuation	Cost reviewed for impairment	Income recognised in the year	43
		Total cost	1,000
		Loan stock valuation	672
		Equity valuation	330
		Voting rights	15.8 per cent.

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

Alto Prodotto Wind Limited

Alto Prodotto Wind is a company which builds, owns and operates medium scale (100kWp to 1500kWp) wind projects in the UK.

The company was incorporated on 2 March 2011 and has not yet filed accounts at Companies House

Investment information	£'000
Income recognised in the year	17
Total cost	1,000
Loan stock valuation	1,000
Equity valuation	–
Voting rights	11.1 per cent.

Basis of valuation Cost reviewed for impairment

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

Greenenerco Limited

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

The company was incorporated on 18 March 2011 and has not yet filed accounts at Companies House

Investment information	£'000
Income recognised in the year	–
Total cost	1,000
Loan stock valuation	1,000
Equity valuation	–
Voting rights	28.6 per cent.

Basis of valuation Cost reviewed for impairment

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

TEG (Biogas) Perth Limited

TEG (Biogas) Perth owns an anaerobic digestion plant which is operating at full capacity and generating electricity.



Website: www.thetegggroup.plc.uk

Abbreviated audited results:
period to 31 December 2011
£'000

Net assets	318	Investment information	£'000
Basis of valuation	Cost reviewed for impairment	Income recognised in the year	105
		Total cost	986
		Loan stock valuation	698
		Equity valuation	296
		Voting rights	16.4 per cent.

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

The Street by Street Solar Programme Limited

The company provides PV installations on domestic roofs.

The company was incorporated on 18 November 2010 and has not yet filed accounts at Companies House

Investment information	£'000
Income recognised in the year	65
Total cost	860
Loan stock valuation	867
Equity valuation	–
Voting rights	8.6 per cent.

Basis of valuation Cost reviewed for impairment

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

Net assets of a portfolio company where a recent third party valuation has taken place, may have a higher valuation in Albion Enterprise VCT PLC accounts than in their own, if portfolio companies do not have a policy of revaluing their fixed assets.

Directors' report

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Enterprise VCT PLC (the "Company") for the year ended 31 March 2012.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has received provisional approval by H.M. Revenue & Customs ("HMRC") as a venture capital trust in accordance with Part 6 of the Income Tax Act 2007 and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 March 2012 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

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

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

Capital structure

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

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

Ordinary shares represent 100 per cent. of the total share capital and voting rights. All Ordinary shares (except for treasury shares which have no right to dividend and no voting rights) rank *pari passu* for dividends and voting rights. Each Ordinary share is entitled to one vote. The Directors are not aware of any restrictions on the transfer of shares or on voting rights.

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

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on www.albion-ventures.co.uk under the 'Our Funds' section. During the

year, the Company issued 87,410 new Ordinary shares under the Dividend Reinvestment Scheme, details of which can be found in note 15.

During the year the Company issued a total of 1,445,189 Ordinary shares under the Albion VCTs Linked Top Up Offer launched in November 2010 and the latest Offer, launched in November 2011. Since the year end a total of 840,795 Ordinary shares have been issued as part of the November 2011 Offer.

The proceeds of the Offer will be used to provide further resources to the Company at a time when a number of attractive new investment opportunities are being seen.

The Offer closed on 31 May 2012.

Substantial interests and shareholder profile

As at 31 March 2012 and as at 26 June 2012, the Company is aware that UBS Private Banking Nominees Limited had a beneficial interest of 3.5 per cent. of the issued Ordinary share capital of the Company.

The Company has 1,931 shareholders and the shareholder profile (excluding treasury shares) as at 26 June 2012 is as follows:

Number of shares held	% number of shareholders	% share capital
1 – 10,000	55.33	15.61
10,001 – 50,000	38.15	43.74
50,001 – 100,000	4.76	17.69
100,001 – 500,000	1.66	17.58
500,001 – 5,000,000	0.10	5.38

Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth. The Company intends to achieve this by investing up to 50 per cent. of the net funds raised in an asset-backed portfolio of lower risk, ungeared businesses, principally operating in the leisure sector and related areas (the "Asset-backed Portfolio"). The balance of the net funds raised, other than funds retained for liquidity purposes, will be invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to higher risk technology companies (the "Growth Portfolio"). In neither category would portfolio companies normally have any external borrowing with a charge ranking ahead of the VCT. Up to two thirds of qualifying investments by cost will comprise loan stock secured with a first charge on the portfolio company's assets.

Directors' report continued

Funds awaiting investment in Qualifying Investments or retained for liquidity purposes will be invested in gilts, held on deposit or invested in floating rate notes or similar instruments, in the latter two cases with banks with a Moody's credit rating of 'A' or above.

The Company's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term. The Asset-backed Portfolio is designed to provide stability and income whilst still maintaining the potential for capital growth. The Growth Portfolio is intended to provide highly diversified exposure through its portfolio of investments in unquoted UK companies.

Venture Capital Trust status

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

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the 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'; and all investments funded through cash raised after April 2010 must comprise at least 70 per cent. equity;
- (4) At no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by value of its investments;
- (5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (6) Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company; and
- (7) The Company's shares, throughout the year must have been listed in the Official List of the London Stock Exchange.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any portfolio company. The tests have been carried out and independently

reviewed for the year ended 31 March 2012. The Company has complied with all relevant tests and continues to do so.

'Qualifying holdings' for Albion Enterprise VCT PLC include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture and operating or managing hotels or residential care homes. The Company may not control a portfolio company.

Portfolio company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter and there is an annual investment limit of £5 million in each company.

Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 March 2012, the Company's maximum exposure was £2,796,000 (2011: £2,753,000) and its actual short term and long term gearing at this date was £nil (2011: £nil). The Directors do not currently have any intention to utilise short term or long term gearing.

Current portfolio sector allocation

The pie chart on page 8 of the Manager's report show the split of the portfolio valuation by industrial or commercial sector as at 31 March 2012. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 11 and 12.

Review of business and future changes

A detailed review of the Company's business during the year and future prospects is contained in the Chairman's statement on pages 6 and 7 and Manager's report on page 8. Details of significant events which have occurred since the end of the financial year are listed in note 21. Details of related party transactions are shown in note 22.

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

Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Services Authority. Albion Ventures

Directors' report continued

LLP also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 20.

Results and dividends

	£'000
Net revenue return for the year ended 31 March 2012	437
Revenue dividend of 1.5 pence per share paid on 31 August 2011	(480)
Revenue dividend of 1.5 pence per share paid on 29 February 2012	(487)
Transfer from special reserve for the year ended 31 March 2012	967
Transferred to revenue reserve	437
Realised and unrealised capital loss for the year transferred to reserves	(184)
Net assets as at 31 March 2012	27,963
Net asset value per share as at 31 March 2012 (pence)	84.90

As described in the Chairman's statement, the Board has declared a dividend of 1.75 pence per share payable on 31 August 2012 to shareholders on the register as at 3 August 2012.

As shown in the Company's Income statement on page 31 of the Financial Statements, investment income has increased to £934,000 (2011: £852,000) as a result of new investments in high yielding loan stock during the year. This has resulted in the revenue return to equity holders increasing to £437,000 (2011: £373,000).

The capital loss for the year of £184,000 (2011: £204,000 gain), was attributable to a reduction in both realised and unrealised gains on the disposal and revaluation of the Company's investments and a small increase in the capital element of management fees.

The total return per share was 0.80 pence per share (2011: 1.90 pence per share).

The Balance sheet on page 32 of the Financial Statements shows that the net asset value has decreased over the last year to 84.90 pence per share (2011: 87.10 pence per share), as the revenue and capital returns have been less than the dividends paid during the year.

Cash flow for the business has been positive for the year, reflecting disposal proceeds and the issue of share capital offset by net investment activity and dividends paid.

Share buy-backs

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

Key performance indicators

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

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

The ongoing expenses ratio for the year to 31 March 2012 was 3.19 per cent. (2011: 3.13 per cent.).

The Company continues to comply with HMRC rules in order to maintain its status under Venture Capital Trust legislation as highlighted on page 16.

Principal risks and uncertainties

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

- Economic risk*

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

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

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

Directors' report continued

capital trust purposes, are more fragile than larger, long established businesses.

To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings. It is the policy of the Company for portfolio companies to not normally have external borrowings.

3. *Valuation risk*

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

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

4. *Venture capital trust approval risk*

The Company's current approval as a venture capital trust allows investors to take advantage of tax reliefs on initial investment and ongoing tax free capital gains and

dividend income. Failure to meet the qualifying requirements could result in investors losing the tax relief on initial investment and loss of tax relief on any tax-free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

To reduce this risk, the Board has appointed the Manager, who has a team with experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed PricewaterhouseCoopers LLP as its taxation advisor. PricewaterhouseCoopers LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

5. *Compliance risk*

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

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

6. *Internal control risk*

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

The Audit Committee meets with the Manager's Internal Auditor, Littlejohn LLP, when required, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. Lord St. John of Bletso, as Audit Committee Chairman, met with the internal audit Partner of Littlejohn LLP in January 2012 to discuss the most recent Internal Audit Report on the Manager. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's

Directors' report continued

management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 26.

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

7. *Reliance upon third parties risk*

The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions. There are provisions within the management agreement for the change of Manager under certain circumstances (for further detail, see the management agreement paragraph on page 20). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.

8. *Financial risks*

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

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

Environment

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

Employees

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

Directors

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

	31 March 2012	31 March 2011
	(number of	(number of
	shares)	shares)
Maxwell Packe	131,775	118,833
Lady Balfour of Burleigh	17,266	13,754
Lord St. John of Bletso	20,700	20,700
Patrick Reeve	54,520	50,938
	<u>224,261</u>	<u>204,225</u>

There have been no changes to the Directors' interests since the year end.

In addition, partners and staff of Albion Ventures LLP (excluding Patrick Reeve's holding shown above) hold 103,848 shares in the Company as at 31 March 2012.

No Director has a service contract with the Company.

All Directors, except for Patrick Reeve, who is the managing partner of the Manager, are members of the Audit Committee, of which Lord St. John of Bletso is Chairman.

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

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

Further details regarding Directors' remuneration are shown on page 29.

Directors' indemnity

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

Directors' report continued

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, Lady Balfour of Burleigh, will retire and offer herself for re-election. Patrick Reeve is not considered to be independent as he is the managing partner of the Manager, Albion Ventures LLP, and will therefore also retire and offer himself for re-election at the forthcoming Annual General Meeting.

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. The Management agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 2.5 per cent. of the net asset value of the Company, payable quarterly in arrears. Total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value.

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

Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a Management performance incentive arrangement with the Manager. Under the incentive arrangement, the Company will pay an incentive fee to the Manager of an amount equal to 20 per cent. of such excess return that is calculated for each financial year.

The minimum target level, comprising dividends and net asset value, will be equivalent to an annualised rate of return of the average base rate of the Royal Bank of Scotland plc plus 2 per cent. per annum on the original subscription price of £1. Any shortfall of the target return will be carried forward into subsequent periods and the incentive fee will only be paid once all previous and current target returns have been met.

The fee, if applicable, will be payable annually. No performance fee has arisen during the year (2011: £nil).

Evaluation of the Manager

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

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

Investment and co-investment

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

Auditor

The current auditor, PKF (UK) LLP, has indicated its willingness to continue as auditor to Albion Enterprise VCT PLC. A resolution to re-appoint PKF (UK) LLP as auditor will be proposed at the forthcoming Annual General Meeting.

Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. As at 31 March 2012, trade creditors totalled £9,000 (2011: £7,000). Creditor days at 31 March 2012 were 4 days (2011: 3 days).

Annual General Meeting

The Annual General Meeting will be held at The Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, London, EC2M 4TH at 12 noon on 4 September 2012. This date is later than previous years in order to avoid the anticipated congestion in London that may be caused by the 2012 Olympic Games. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against', and 'withheld'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution.

Summary of proxies lodged at the Annual General Meeting will be published at www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Albion Enterprise VCT PLC.

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

Directors' report continued

Removal of authorised share capital

Special resolution number 7 will propose the removal of the concept of authorised share capital from the Company's Articles, as permitted by the Companies Act 2006.

Power to allot shares

Ordinary resolution number 8 will request the authority for the Directors to allot up to an aggregate nominal amount of £1,712,332 representing approximately 10 per cent. of the issued Ordinary share capital of the Company as at the date of this Report, or £34,247 following the reduction in nominal value proposed by resolution number 12.

The Directors do not currently have any intention to allot shares, with the exception of the Dividend Reinvestment Scheme, any future Albion VCTs Linked Top Up Offer and the reissuance of treasury shares where it is in the Company's interest to do so.

The Company currently holds 473,010 treasury shares representing 1.4 per cent. of the total Ordinary share capital in issue as at the date of this Report.

This resolution replaces the authority given to the Directors at the Annual General Meeting on 21 July 2011. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Dis-application of pre-emption rights

Special resolution number 9 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 £1,712,332 of the nominal value of the share capital representing 10 per cent. of the issued Ordinary share capital of the Company as at the date of this Report, or £34,247 following the reduction in nominal value proposed by resolution number 12.

This resolution replaces the authority given to the Directors at the Annual General Meeting on 21 July 2011. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Members should note that this resolution also relates to treasury shares.

Purchase of own shares

Special resolution number 10 will request authority for the Company to purchase 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 10. Shares bought back under this authority may be cancelled and up to 10 per cent. can be held in treasury.

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

This resolution would renew the 2011 authority, which was on similar terms.

During the financial year under review, the Company purchased 199,000 Ordinary shares of 50 pence each to be held in treasury, at an aggregate consideration of £152,000 including stamp duty, representing 0.6 per cent. of the issued Ordinary share capital of the Company as at 31 March 2011.

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

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 11 will request the authority to permit Directors to sell treasury shares at the higher of the prevailing current share price and the price at which they were bought in.

Cancellation of share capital

Special resolution number 12 is a proposal (the 'Proposal') by the Board to increase the Company's distributable reserves by way of a reduction of the Company's share capital and cancellation of the amount standing to the credit of the share premium account, subject to shareholder approval and confirmation by the Court.

One of the main principles of company law is that the capital of a company should be maintained and, therefore, a company with share capital must obtain proper consideration for the shares that it issues and must not return

Directors' report continued

funds which have been subscribed for shares except in certain prescribed ways. The principle of maintenance of capital underlies various provisions of Companies Act 2006 – for example, a company may only make distributions to its members out of distributable profits and a company may only buy back its own shares in limited circumstances.

A company can, however, reduce its share capital in circumstances where creditors will not be adversely affected, provided that the company complies with certain procedural requirements. Companies Act 2006 provides that a company may reduce its capital by special resolution, subject to confirmation by the Court. A special reserve will then be created from the sums set free from such a cancellation which can be regarded as a distributable reserve.

The Company has completed a previous cancellation of its share premium, and the special reserve created by such cancellation has enhanced the ability of the Company to make distributions and buy back Ordinary shares.

The Board considers it to be in the interest of shareholders to enhance the Company's ability to support the future payment of dividends by restructuring the Company's Balance sheet by means of the cancellation and extinction of 49 pence of the amount paid up on its issued Ordinary shares. The Board does not believe that such proposal will negatively impact on individual shareholders. It is merely a mechanism by which further distributable reserves can be created (subject to the approval of the Court) to support payment of future dividends as well as other distributable and corporate purposes.

Paragraph (a) of resolution 12 to be proposed at the Annual General Meeting seeks the approval for this cancellation of share capital, subject to the sanction of the Court.

In addition, the Board considers it prudent to take the opportunity also to seek approval of shareholders at the Annual General Meeting for the cancellation of the share premium account (subject to the sanction of the Court). Approval of this cancellation is being sought pursuant to paragraphs (b) of Resolution 12.

The sums set free by the Proposal would create further distributable reserves to fund distributions to shareholders and buybacks, to set off losses and for other distributable and corporate purposes for the Company. If Resolution 12 is approved, the Board intends to apply to Court to sanction the cancellations. It is expected that the completion of the cancellations would take place before the end of the year, though each such cancellation might be undertaken independently. Share certificates for Ordinary shares will

continue to be valid and will not be replaced as the cancellations will not affect the number of shares held.

As stated in note 15 of the Company's Financial Statements, the Company's issued share capital as at 31 March 2012 was 33,405,846 Ordinary shares of 50 pence each, all of which had been issued as fully paid. Since 31 March 2012, 840,795 Ordinary shares have been issued up to the date of this report. If the nominal value of each of these issued Ordinary shares is reduced from 50 pence to 1 penny, the Company's issued share capital will be reduced from £17,123,320 to £342,466.

The Company's share premium accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to special reserve. As at 31 March 2012, the amount credited to the Company's share premium account was £1,065,721.

As a result of this Proposal, and to take account of the implementation of parts of the Companies Act 2006, the Articles will be amended as proposed in resolution number 9 to remove all references to the Company's authorised share capital, as the requirement to have an authorised share capital has been abolished. Directors will still be limited as to the number of shares they can at any time allot because an allotment authority for the Company continues to be required under the Companies Act 2006.

Recommendation

The Board believes that the passing of the resolutions proposed at the forthcoming Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of all the proposed resolutions, as the Directors intend to do in respect of their own beneficial shareholdings of 224,261 shares.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must

Directors' report continued

not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements the Directors (who are listed on page 9) are required to:

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

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

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

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

- the Financial Statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Management report included within the Chairman's statement, Manager's report and Director's report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

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 section 418 of the Companies Act 2006.

By Order of the Board

Albion Ventures LLP

Company Secretary
1 King's Arms Yard
London EC2R 7AF
3 July 2012

Statement of corporate governance

Background

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

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

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

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

Application of the Principles of the Code

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

Board of Directors

The Board consists solely of non-executive directors. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Maxwell Packe is the Chairman, and he, Lord St. John of Bletso and Lady Balfour of Burleigh, are considered independent Directors. The Board has appointed Lord St. John of Bletso as the Senior Independent Director. Patrick Reeve is not considered an independent Director as he is the managing partner of Albion Ventures LLP, the Manager.

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 subject to

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

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 9. 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.

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

The Board met four times during the year 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 Linked Top Up Offers 2010/2011 and 2011/2012. In addition, a sub-committee of the Board met during the year to approve the terms and contents of the offer documents under the Albion VCTs Linked Top Up Offer 2011/2012.

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

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

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;

Statement of corporate governance continued

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

Committees' and Directors' performance evaluation

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

- attendance at Board and Committee meetings;
- the contribution made by individual Directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman. The Senior Independent Director reviews the Chairman's annual performance evaluation.

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

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

In light of the structured performance evaluation, Lady Balfour of Burleigh and Patrick Reeve, both of whom are subject to re-election at the forthcoming Annual General Meeting, are considered to be effective Directors and demonstrate strong commitment to the role; on this basis, the Board believes it to be in the best interest of the Company to reappoint these Directors at the forthcoming Annual General Meeting.

Remuneration Committee

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

Audit Committee

The Audit Committee consists of all Directors excluding Patrick Reeve. Lord St. John of Bletso is Chairman of the Audit Committee. 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 March 2012 and all members attended.

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

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

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

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

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; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

The Committee reviews the performance and continued suitability of the Company's external auditor on an annual basis. They assess the external auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external auditor that they are independent and of the level of non-audit fees earned by them and their affiliates.

As part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation and the audit feedback documentation. Based on the assurance obtained, the Committee has recommended to the Board that PKF (UK) LLP is reappointed and that a resolution to this effect be proposed at the forthcoming Annual General Meeting.

Nomination Committee

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

It is the policy of the Company that all of the Directors are nominated for re-election every three years and that Directors who have served the Company for more than nine years and non-independent Directors are subject to annual re-election. The next re-election is at the Annual General Meeting on 4 September 2012.

The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

Internal control

In accordance with principle C.2 of the UK Corporate Governance Code, the Board has an established process for identifying, evaluating and managing the significant risks

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

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

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

The main features of the internal control system with respect to financial reporting, implemented throughout the year are:

- segregation of duties between the preparation of valuations and recording into accounting records;
- independent valuations of the asset-backed investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the Managing Partner and reviews of financial reports are carried out by the Operations Partner of Albion Ventures LLP;
- bank and stock reconciliations are carried out monthly by the Manager in accordance with the FSA requirements;
- all published financial reports are reviewed by Albion Ventures LLP Compliance department;
- the Board reviews financial information; and
- a separate Audit Committee of the Board reviews published financial information.

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

Statement of corporate governance continued

Board feels that it is not necessary to have its own internal audit function. Instead, the Board had access to Littlejohn LLP, which, as internal auditor for Albion Ventures LLP undertakes periodic examination of the business processes and controls environment at Albion Ventures LLP, and ensures that any recommendations to implement improvements in controls are carried out. Littlejohn LLP report formally to the Albion Enterprise VCT PLC Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going concern

In accordance with 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' issued by Financial Reporting Council, 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, share buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

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

Conflicts of interest

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

Capital structure and Articles of Association

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on pages 15 and 21 respectively 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 4 September 2012 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting. At the Annual General Meeting, the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

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

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

For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:

Tel: 0870 873 5860 (UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls may be recorded)
Website: www.computershare.co.uk

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

For enquiries relating to the performance of the Fund, and for IFA information please contact Albion Ventures LLP:

Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon-Fri, calls may be recorded)
Email: info@albion-ventures.co.uk
Website: www.albion-ventures.co.uk

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

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 corporate governance continued

Statement of compliance

With the exception of the requirement to have a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 March 2012 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

By Order of the Board

Maxwell Packe

Chairman

3 July 2012

Directors' remuneration report

Introduction

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

UNAUDITED INFORMATION

Remuneration Committee

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

Directors' remuneration policy

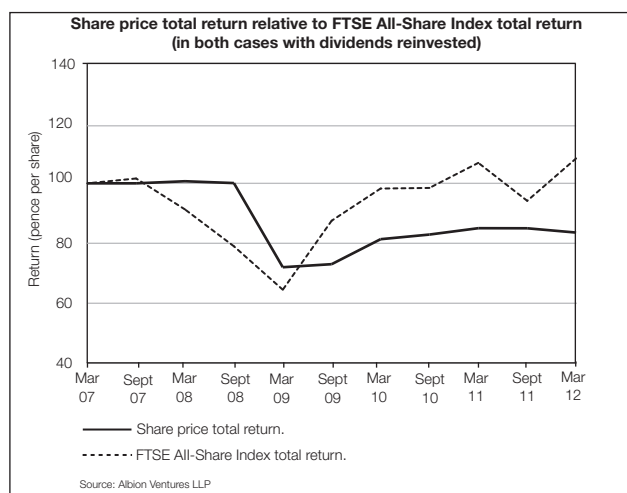
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company.

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

Performance graph

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

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



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

Service contracts

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

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

AUDITED INFORMATION

Directors' remuneration

The following items have been audited.

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Maxwell Packe	20	20
Lady Balfour of Burleigh	18	18
Lord St. John of Bletso	18	18
Albion Ventures LLP (for Patrick Reeve's services)	18	18
	74	74

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

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

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £9,980 (2011: £9,807).

By Order of the Board

Albion Ventures LLP

Company Secretary
1 King's Arms Yard
London EC2R 7AF
3 July 2012

Independent auditor's report to the members of Albion Enterprise VCT PLC

We have audited the Financial Statements of Albion Enterprise VCT PLC for the year ended 31 March 2012 which comprise the Income statement, the Balance sheet, the Reconciliation of movements in shareholders' funds, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Statement of corporate governance set out on pages 24 to 28 in the Annual Report in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out in the Statement of corporate governance on page 27, in relation to going concern; and
- the part of the Statement of corporate governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Rhodri Whitlock (Senior statutory auditor)

for and on behalf of PKF (UK) LLP, Statutory auditor

London, UK

3 July 2012

Income statement

		Year ended 31 March 2012			Year ended 31 March 2011		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	199	199	–	588	588
Investment income	4	934	–	934	852	–	852
Investment management fees	5	(172)	(517)	(689)	(168)	(505)	(673)
Other expenses	6	(191)	–	(191)	(190)	–	(190)
Return/(loss) on ordinary activities before tax		571	(318)	253	494	83	577
Tax (charge)/credit on ordinary activities	8	(134)	134	–	(121)	121	–
Return/(loss) attributable to shareholders		437	(184)	253	373	204	577
Basic and diluted return/(loss) per share (pence)*	10	1.40	(0.60)	0.80	1.20	0.70	1.90

*excluding treasury shares

The accompanying notes on pages 35 to 48 form an integral part of these Financial Statements.

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

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

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

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

Balance sheet

	Note	31 March 2012 £'000	31 March 2011 £'000
Fixed asset investments	11	20,683	18,164
Current assets			
Trade and other debtors	13	213	144
Current asset investments	13	1,632	4,007
Cash at bank	17	5,673	5,502
		7,518	9,653
Creditors: amounts falling due within one year	14	(238)	(284)
Net current assets		7,280	9,369
Net assets		27,963	27,533
Capital and reserves			
Called up share capital	15	16,703	15,937
Share premium		1,065	535
Unrealised capital reserve		(776)	(518)
Special reserve		11,015	11,987
Treasury shares reserve		(359)	(207)
Realised capital reserve		(795)	(874)
Revenue reserve		1,110	673
Total equity shareholders' funds		27,963	27,533
Basic and diluted net asset value per share (pence)*	16	84.90	87.10

*excluding treasury shares

The accompanying notes on pages 35 to 48 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and were authorised for issue on 3 July 2012 and were signed on its behalf by

Maxwell Packe

Chairman

Company number 05990732

Reconciliation of movements in shareholders' funds

	Called-up share capital £'000	Share premium £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 April 2011	15,937	535	(518)	11,987	(207)	(874)	673	27,533
Issue of share capital	766	530	—	—	—	—	—	1,296
Capitalised investment management fees	—	—	—	—	—	(517)	—	(517)
Tax relief on costs charged to capital	—	—	—	—	—	134	—	134
Purchase of own treasury shares	—	—	—	—	(152)	—	—	(152)
Net realised gains on investments	—	—	—	—	—	12	—	12
Unrealised gains on fixed and current asset investments	—	—	187	—	—	—	—	187
Transfer of previously unrealised losses on sale of investments	—	—	(445)	—	—	445	—	—
Revenue return attributable to shareholders	—	—	—	—	—	—	437	437
Dividends paid	—	—	—	—	—	—	(967)	(967)
Transfer from special reserve	—	—	—	(972)	—	5	967	—
As at 31 March 2012	16,703	1,065	(776)	11,015	(359)	(795)	1,110	27,963

	Called-up share capital £'000	Share premium £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 April 2010	15,189	—	(797)	13,473	(39)	(1,368)	300	26,758
Issue of share capital	748	535	—	—	—	—	—	1,283
Capitalised investment management fees	—	—	—	—	—	(505)	—	(505)
Tax relief on costs charged to capital	—	—	—	—	—	121	—	121
Purchase of own treasury shares	—	—	—	—	(168)	—	—	(168)
Net realised gains on investments	—	—	—	—	—	91	—	91
Unrealised gains on fixed and current asset investments	—	—	497	—	—	—	—	497
Transfer of previously unrealised losses on sale of investments	—	—	(218)	—	—	218	—	—
Revenue return attributable to shareholders	—	—	—	—	—	—	373	373
Dividends paid	—	—	—	—	—	—	(917)	(917)
Transfer from special reserve	—	—	—	(1,486)	—	569	917	—
As at 31 March 2011	15,937	535	(518)	11,987	(207)	(874)	673	27,533

* Included within the aggregate of these reserves is an amount of £10,195,000 (2011: £11,061,000) which is considered distributable. The special reserve has been treated as distributable in determining the amounts available for distribution.

The special reserve allows the Company, amongst other things, to facilitate the payment of dividends earlier than would otherwise have been possible as transfers can be made from this reserve to the realised capital reserve to offset gross losses on disposal of investments. Accordingly, a transfer of £5,000 representing gross realised losses on disposal of investments during the year to 31 March 2012 has been made from the special reserve to the realised capital reserve.

In addition, a transfer of £967,000 representing the dividend payment made from revenue reserve has been made from the special reserve to the revenue reserve.

Cash flow statement

		Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
	Note		
Operating activities			
Investment income received		767	767
Deposit interest received		134	150
Investment management fees paid		(519)	(670)
Other cash payments		(176)	(170)
Net cash flow from operating activities	18	206	77
Taxation			
UK corporation tax		–	6
Capital expenditure and financial investments			
Purchase of fixed asset investments		(3,673)	(8,737)
Disposal of fixed asset investments		940	3,161
Net cash flow from investing activities		(2,733)	(5,576)
Management of liquid resources			
Purchase of current asset investments		(1,000)	(4,509)
Disposal of current asset investments		3,500	3,054
Net cash flow from management of liquid resources		2,500	(1,455)
Equity dividends paid (net of cost of shares issued under the Dividend Reinvestment Scheme)		(893)	(861)
Net cash flow before financing		(920)	(7,809)
Financing			
Issue of ordinary share capital (including issue costs)		1,247	1,194
Purchase of own shares (including costs)		(156)	(164)
Net cash flow from financing		1,091	1,030
Cash flow in the year	17	171	(6,779)

Notes to the Financial Statements

1. Accounting convention

The Financial Statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ('AIC SORP') issued by The Association of Investment Companies ('AIC') in January 2009. Accounting policies have been applied consistently in current and prior periods.

2. Accounting policies

Investments

Unquoted equity investments, debt issued at a discount and convertible bonds

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", unquoted equity, debt issued at a discount and convertible bonds are designated as fair value through profit or loss ("FVTPL"). Unquoted investments' fair value is determined by the Directors in accordance with the September 2009 International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

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

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

Warrants and unquoted equity derived instruments

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

Unquoted loan stock

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

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

Current asset investments

In accordance with FRS 26, bonds and floating rate notes are designated as fair value through profit or loss and valued at market bid price at the balance sheet date. Floating rate notes are classified as current asset investments as they are investments held for the short term.

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

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

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

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

In accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity as part of an investment portfolio are not accounted for using the equity method.

Investment income

Unquoted equity income

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

Unquoted loan stock and other preferred income

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

Bank interest income

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

Notes to the Financial Statements continued

2. Accounting policies (continued)

Floating rate note income

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

Investment management fees and other expenses

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

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

Performance incentive fee

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

Taxation

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

The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made for deferred tax.

Reserves

Share premium account

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

Unrealised capital reserves

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

Special reserve

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

Treasury shares reserve

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

Realised capital reserve

The following are disclosed in this reserve:

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

Dividends

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

Notes to the Financial Statements continued

3. Gains on investments

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Unrealised gains on fixed asset investments held at fair value through profit or loss account	79	405
Unrealised reversals of impairments on fixed asset investments held at amortised cost	108	121
Unrealised gains on fixed asset investments	187	526
Unrealised (losses) on current asset investments held at fair value through profit or loss account	–	(29)
Unrealised gains sub-total	187	497
Realised (losses)/gains on fixed asset investments held at fair value through profit or loss account	(18)	43
Realised gains on fixed asset investments held at amortised cost	37	–
Realised (losses)/gains on current asset investments held at fair value through profit or loss account	(7)	48
Realised gains sub-total	12	91
	199	588

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

4. Investment income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Income recognised on investments held at fair value through profit or loss		
Floating rate note and bond interest	20	70
Interest on convertible bonds and debt issued at a discount	227	–
	247	70
Income recognised on investments held at amortised cost		
Return on loan stock investments	552	618
Bank deposit interest	135	164
	687	782
	934	852

Interest income earned on impaired investments at 31 March 2012 amounted to £49,000 (2011: £6,000). These investments are all held at amortised cost.

All of the Company's income is derived from operations in the United Kingdom.

5. Investment management fees

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Investment management fee charged to revenue	172	168
Investment management fee charged to capital	517	505
	689	673

Further details of the Management agreement under which the investment management fee is paid are given in the Directors' report on page 20.

Notes to the Financial Statements continued

6. Other expenses

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Directors' fees and associated costs (inclusive of NIC and VAT)	86	82
Auditor's remuneration for statutory audit services (exclusive of VAT)	23	22
Other administrative expenses	82	86
	191	190

7. Directors' fees and associated costs

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Directors' fees	74	74
National insurance and/or VAT	10	7
Expenses	2	1
	86	82

Expenses charged related to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on page 29.

8. Tax (charge)/credit on ordinary activities

	Year ended 31 March 2012			Year ended 31 March 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of the current year	(134)	134	–	(123)	121	(2)
UK corporation tax in respect of the prior year	–	–	–	2	–	2
	(134)	134	–	(121)	121	–

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Return on ordinary activities before tax	253	577
Tax charge on profit at the small companies rate	(51)	(121)
Factors affecting the charge:		
Capital profits not subject to tax	40	123
Utilisation of losses	11	–
Losses in respect of prior year	–	(2)
Current tax charge	–	–

The tax charge for the year shown in the Income statement is lower than the small companies rate of corporation tax in the UK of 20 per cent. (2011: 21 per cent.). The differences are explained above.

The Company has excess trading losses of £74,000 (2011: £128,000) that are available for offset against future profits. A deferred tax asset of £15,000 (2011: £26,000) has not been recognised in respect of those losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

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

Notes to the Financial Statements continued

9. Dividends

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Dividend of 1.5p per share paid on 7 August 2010	–	481
Dividend of 1.5p per share paid on 28 February 2011	–	436
Dividend of 1.5p per share paid on 31 August 2011	480	–
Dividend of 1.5p per share paid on 29 February 2012	487	–
	967	917

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2013 of 1.75 pence per Ordinary share. This dividend will be paid on 31 August 2012 to shareholders on the register as at 3 August 2012. The total dividend will be approximately £591,000.

10. Basic and diluted return per share

	Year ended 31 March 2012			Year ended 31 March 2011		
	Revenue	Capital	Total	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return/(loss) attributable to equity shares (£'000)	437	(184)	253	373	204	577
Weighted average shares in issue (excluding treasury shares)		32,144,835			30,462,927	
Return/(loss) attributable per equity share (pence)	1.40	(0.60)	0.80	1.20	0.70	1.90

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

The weighted average number of shares is calculated excluding treasury shares of 473,010 (2011: 274,010).

The Company's policy is to sell treasury shares at a price greater than the purchase price hence the net asset value per share on the diluted basis would be equal to or greater than the basic net asset value per share, depending on the actual price achieved for selling the treasury shares.

11. Fixed asset investments

	31 March 2012 £'000	31 March 2011 £'000
Investments held at fair value through profit or loss		
Qualifying unquoted equity investments	6,275	6,349
Qualifying unquoted debt issued at a discount and convertible bonds	6,023	5,014
	12,298	11,363
Investments held at amortised cost		
Qualifying unquoted loan stock investments	8,385	6,761
Non-qualifying loan stock investments	–	40
	8,385	6,801
	20,683	18,164

Notes to the Financial Statements continued

11. Fixed asset investments (continued)

	31 March 2012 £'000	31 March 2011 £'000
Opening valuation	18,164	11,908
Purchases at cost	3,459	8,927
Disposal proceeds	(1,053)	(3,161)
Realised gains	19	43
Movement in loan stock revenue accrued income	39	(79)
Transfer of unrealised gains to current asset investments	(132)	–
Unrealised gains	187	526
Closing valuation	20,683	18,164
Movement in loan stock revenue accrued income		
Opening accumulated movement in loan stock revenue accrued income	57	136
Movement in loan stock revenue accrued income	39	(79)
Closing accumulated movement in loan stock revenue accrued income	96	57
Movement in unrealised losses		
Opening accumulated unrealised losses	(525)	(833)
Movement in unrealised gains	187	526
Transfer of unrealised gains to current asset investments	(132)	–
Transfer of previously unrealised gains to realised reserve on disposal of investments	(439)	(218)
Closing accumulated unrealised losses	(909)	(525)
Historic cost basis		
Opening book cost	18,632	12,605
Purchases at cost	3,459	8,927
Sales at cost	(595)	(2,900)
Closing book cost	21,496	18,632

Transfer of unrealised gains to current asset investments represents the fair value of contingent future receipts on disposal of fixed asset investments recognised as current asset investments (see note 13).

The amounts shown for the purchase and disposal of fixed assets included in the cash flow statement differ from the amounts shown above, due to deferred consideration shown as a debtor, and investment settlement debtors and creditors.

The Directors believe that the carrying value of loan stock measured at amortised cost is not materially different to fair value. The Company does not hold any assets as the result of the enforcement of security during the period, and believes that the carrying values for both impaired and past due assets are covered by the value of security held for these loan stock investments.

The amended FRS 29 'Financial Instruments: Disclosures' 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 according to the following definitions:

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

All of the Company's fixed asset investments as at 31 March 2012 which are valued at fair value through profit or loss, are valued according to Level 3 methods (2011: Level 3).

Notes to the Financial Statements continued

11. Fixed asset investments (continued)

Investments held at fair value through profit or loss (level 3) had the following movements in the year to 31 March 2012:

	31 March 2012			31 March 2011		
	Equity	Discounted debt and convertible loan stock	Total	Equity	Discounted debt and convertible loan stock	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	6,349	5,014	11,363	5,526	–	5,526
Purchases at cost	884	1,000	1,884	3,096	3,023	6,119
Disposal proceeds	(866)	(30)	(896)	(1,285)	–	(1,285)
Realised (loss)/gain	(18)	–	(18)	44	–	44
Re-presentation of loan stock	–	–	–	–	554	554
Movement in loan stock revenue accrued income	–	18	18	–	–	–
Transfer of unrealised gains to current asset investments	(132)	–	(132)	–	–	–
Unrealised gain/(loss)	58	21	79	(1,032)	1,437	405
Closing balance	6,275	6,023	12,298	6,349	5,014	11,363

The prior year analysis has been re-presented to reflect loan stock of £686,000, which had been presented within the fair value category in the prior year, but which was designated as a loan and receivable on initial recognition. There is no change in the underlying valuation technique and there is no impact on the net asset value or return for the year.

Investments held at fair value are valued in accordance with the IPEVVCV guidelines as follows:

Valuation methodology	31 March 2012 £'000	31 March 2011 £'000
Cost reviewed for impairment	5,963	5,499
Revenue multiple	2,479	2,995
Earnings multiple	2,188	317
Net asset value supported by third party or desktop valuation	1,385	547
Offered acquisition price	–	883
Price of recent investment	283	1,122
	12,298	11,363

The portfolio investments had the following movements between valuation methodologies between 31 March 2011 and 31 March 2012:

Change in valuation methodology (2011 to 2012)	Value as at 31 March 2012 £'000	Explanatory note
Cost reviewed for impairment to net asset value supported by third party or desktop valuation	2,216	Independent valuation carried out
Price of recent investment to earnings multiple	1,179	More recent information available

The valuation method used will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 March 2012.

FRS 29 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. The valuation methodology applied to 62 per cent. of the equity, discounted debt and convertible bond investments (by valuation) is based on third-party independent evidence and recent investment price or new investments supported by cash. The Directors believe that changes to reasonable possible alternative input assumptions for the valuation of the remainder of the portfolio could result in an increase in the valuation of investments by £509,000 or a decrease in the valuation of investments by £494,000.

Notes to the Financial Statements continued

12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the portfolio company, it will not take a controlling interest or become involved in the management of a portfolio company.

The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio company as at 31 March 2012 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Greenenerco Limited	Great Britain	Environmental	28.6% A Ordinary	50.0%

The above investment is held as part of an investment portfolio, therefore, as permitted by FRS 9, it is measured at fair value and not accounted for using the equity method.

13. Current assets

	31 March 2012 £'000	31 March 2011 £'000
Trade and other debtors		
Prepayments and accrued income	32	42
UK corporation taxable receivable	80	80
Other debtors	101	22
	<u>213</u>	<u>144</u>

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

	31 March 2012 £'000	31 March 2011 £'000
Current asset investment		
UBS AG floating rate note 20 May 2011	–	2,507
Contingent future receipts from the disposal of fixed asset investments	132	–
Close Brothers Bank Limited fixed term deposit 7 December 2012	1,500	1,500
	<u>1,632</u>	<u>4,007</u>

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

The only movements in current asset investments during the year were the redemption of the floating rate note, the recognition of a contingent future receipt on the disposal of a fixed asset investment, the purchase and sale of a bond.

Notes to the Financial Statements continued

14. Creditors: amounts falling due within one year

	31 March 2012 £'000	31 March 2011 £'000
Trade creditors	9	7
Accruals and deferred income	229	44
Other creditors	–	233
	<u>238</u>	<u>284</u>

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

15. Called up share capital

	31 March 2012 £'000	31 March 2011 £'000
Allotted, called up and full paid		
33,405,846 Ordinary shares of 50p each (2011: 31,873,247)	<u>16,703</u>	<u>15,937</u>

Voting rights

32,932,836 shares of 50p each (net of treasury shares) (2011: 31,599,237).

The Company purchased 199,000 shares (2011: 219,043) to be held in treasury at a cost of £152,000 (2011: £164,000) representing 0.6 per cent. of the shares in issue (excluding treasury shares) as at 3 July 2012.

The Company holds a total of 473,010 shares (2011: 274,010) in treasury representing 1.4 per cent. (2011: 0.9 per cent.) of the shares in issue as at 31 March 2012.

Under the terms of the Dividend Reinvestment Scheme Circular dated 26 November 2009, the following Ordinary shares, with a nominal value 50 pence per share, were allotted in the year to 31 March 2012:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Issue price including issue cost (pence per share)	Net consideration received £'000	Opening market price per share on allotment date (pence per share)
31 August 2011	42,409	21	86.04	35	75.75
29 February 2012	45,001	23	82.94	35	73.75
	<u>87,410</u>	<u>44</u>		<u>70</u>	

During the year the following Ordinary shares with a nominal value of 50 pence per share were allotted under the terms of the Albion VCTs Linked Top Up Offers launched in November 2010 and in November 2011.

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Issue price including issue cost (pence per share)	Net consideration received £'000	Opening market price per share on allotment date (pence per share)
5 April 2011	470,928	234	90.67	405	77.25
16 May 2011	39,309	20	92.30	34	77.25
10 January 2012	441,554	221	90.40	378	74.75
20 March 2012	493,398	247	87.80	409	73.75
	<u>1,445,189</u>	<u>722</u>		<u>1,226</u>	

Notes to the Financial Statements continued

16. Basic and diluted net asset value per share

	31 March 2012 (pence per share)	31 March 2011 (pence per share)
Basic and diluted net asset value per share	84.90	87.10

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 32,932,836 Ordinary shares (2011: 31,599,237) at 31 March 2012.

17. Analysis of changes in cash during the year

	31 March 2012 £'000	31 March 2011 £'000
Opening cash balances	5,502	12,281
Net cash flow	171	(6,779)
Closing cash balances	5,673	5,502

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Revenue return on ordinary activities before taxation	571	494
Investment management fee charged to capital	(517)	(505)
Movement in accrued amortised loan stock interest	(39)	79
Decrease/(increase) in debtors	9	(16)
Increase in creditors	182	25
Net cash flow from operating activities	206	77

19. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 15. The Company is permitted to buy-back its own shares for cancellation or treasury purposes, and this is described in more detail on page 21 of the Directors' report.

During the year the Company issued shares under the Albion VCTs Linked Top Up Offers 2010/2011 and 2011/2012. The 2011/2012 Offer closed on 31 May 2012.

The Company's financial instruments comprise equity and loan stock investments in unquoted companies, floating rate notes and bonds, long term cash deposits, cash balances, short term debtors and creditors 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 creditors. The Company does not use any derivatives for the management of its balance sheet.

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

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

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

Notes to the Financial Statements continued

19. Capital and financial instruments risk management (continued)

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted and in quoted investments, details of which are shown on pages 11 and 12. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio companies and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the balance sheet date is the value of the fixed and current asset investment portfolio which is £22,315,000 (2011: £22,171,000). Fixed and current asset investments form 80 per cent. of the net asset value as at 31 March 2012 (81 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 approximately 65 per cent. of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of investments section on pages 11 and 12 and in the Manager's 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 IPEV/CV Guidelines.

As required under FRS 29 'Financial Instruments: Disclosures', the Board is required to illustrate by way of a sensitivity analysis, the degree of exposure to market risk. The Board considers that the value of the fixed 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 £2,232,000 (2011: £2,217,000).

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise of 1.0 per cent. in all interest rates would have increased total return before tax for the year by approximately £275,000 (2011: £138,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 5.9 per cent. (2011: 5.2 per cent.). The weighted average period to expected maturity for the fixed rate assets is approximately 6.1 years (2011: 3.7 years).

Notes to the Financial Statements continued

19. Capital and financial instruments risk management (continued)

The Company's financial assets and liabilities as at 31 March 2012, all denominated in pounds sterling, consist of the following:

	31 March 2012				31 March 2011			
	Fixed rate £'000	Floating rate £'000	Non- interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non- interest bearing £'000	Total £'000
Unquoted equity	–	–	6,275	6,275	–	–	6,349	6,349
Discounted debt and convertible loan stock	6,023	–	–	6,023	–	–	–	–
Unquoted loan stock	7,913	–	472	8,385	11,587	228	–	11,815
Floating rate notes	–	–	–	–	–	2,507	–	2,507
Current asset investments	1,500	–	132	1,632	1,500	–	–	1,500
Debtors*	–	–	181	181	–	–	102	102
Cash	5,673	–	–	5,673	2,644	2,858	–	5,502
Current liabilities	–	–	(238)	(238)	–	–	(284)	(284)
Total net assets	21,109	–	6,822	27,931	15,731	5,593	6,167	27,491

*The debtors do not reconcile to the balance sheet as prepayments and tax receivable are not included in the above table.

Credit risk

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

The Manager evaluates credit risk on loan stock and other similar instruments prior to investment, and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. Typically loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the portfolio company in order to mitigate the gross credit risk. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment-specific credit risk.

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

The Company's total gross credit risk as at 31 March 2012 was limited to £14,408,000 (2011: £11,815,000), of unquoted loan stock instruments (all of which are secured on the assets of the portfolio company), £5,673,000 (2011: £5,502,000) of cash deposits with banks and £1,500,000 of term deposits (2011: £2,507,000 floating rate notes and £1,500,000 of term deposits).

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

The 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 on page 47.

The cost, impairment and carrying value of impaired loan stocks held at amortised cost at 31 March 2012 and 31 March 2011 are as follows:

	31 March 2012			31 March 2011		
	Cost £'000	Impairment £'000	Carrying value £'000	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	1,950	(365)	1,585	795	(143)	652

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

Notes to the Financial Statements continued

19. Capital and financial instruments risk management (continued)

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted share capital and reserves, which amounts to £2,796,000 (2011: £2,753,000) as at 31 March 2012.

The Company has no committed borrowing facilities as at 31 March 2012 (2011: £nil) and had cash balances of £5,673,000 (2011: £5,502,000, together with £2,507,000 invested in floating rate notes), which are considered to be readily realisable within the timescales required to make cash available for investment. The main cash outflows are for new investments, 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 £238,000 as at 31 March 2012 (2011: £284,000).

The carrying value of loan stock investments held at amortised cost and at fair value through profit or loss at 31 March 2012 as analysed by expected maturity dates is as follows:

Redemption date	Fully performing loan stock £'000	Past due loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	425	204	473	1,102
1-2 years	646	672	287	1,605
2-3 years	348	661	661	1,670
3-5 years	3,726	2,863	164	6,753
+5 years	–	3,278	–	3,278
	<u>5,145</u>	<u>7,678</u>	<u>1,585</u>	<u>14,408</u>

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

Loan stock categorised as past due includes:

- Loan stock with a carrying value of £672,000 yielding 6.4 per cent. which has interest past due by 2 months;
- Loan stock with a carrying value of £545,000 yielding 7.3 per cent. which has interest overdue for 2 months;
- Loan stock with a carrying value of £4,941,000 in renewable energy companies which are building up interest yield over periods of up to a year as installation of units are completed. Typically these loan stocks yield in excess of 9 per cent. once installed.
- Loan stocks with a value of £1,520,000 which has interest overdue of less than one year.

The carrying value of loan stock investments held at amortised cost at 31 March 2011 as analysed by expected maturity dates was as follows:

Redemption date	Fully performing loan stock £'000	Past due loan stock £'000	Impaired loan stock £'000	Total £'000
1-2 years	527	–	439	966
2-3 years	1,695	–	–	1,695
3-5 years	6,428	2,513	213	9,154
	<u>8,650</u>	<u>2,513</u>	<u>652</u>	<u>11,815</u>

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

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2012 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, cash balances, debtors and creditors, which are carried at amortised cost, in accordance with FRS 26. The Directors believe that the current carrying value of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

Notes to the Financial Statements continued

20. Commitments and contingencies

As at 31 March 2012, the Company was committed to making a further investment of £104,000 in Mi-Pay Limited and £41,000 in Nelson House Hospital Limited (2011: £853,000).

There are no contingent liabilities or guarantees given by the Company as at 31 March 2012 (31 March 2011: nil).

21. Post balance sheet events

Since 31 March 2012 the Company has had the following post balance sheet events:

- April 2012: Mi-Pay Limited investment of £104,000;
- May 2012: Bravo Inns II Limited investment of £177,500;
- May 2012: Hilson Moran Holdings Limited partial repayment of loan stock of £60,000;
- June 2012: Nelson House Hospital Limited investment of £21,000.

The following Ordinary shares of nominal value 50 pence per share were allotted under the Albion VCTs Linked Top Up Offer 2011/2012 since the year end:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Issue price including issue costs (pence per share)	Net consideration received £'000	Opening market price per share on allotment date (pence per share)
5 April 2012	755,882	378	87.80	627	71.50
31 May 2012	84,913	42	87.80	71	67.00
	<u>840,795</u>	<u>420</u>		<u>698</u>	

The Offer closed on 31 May 2012.

22. Related party transactions

The Manager, Albion Ventures LLP, is considered to be a related party by virtue of the fact that Patrick Reeve, a Director of the Company, is also a Managing Partner of the Manager. The Manager is party to a Management agreement from the Company (details disclosed on page 20 of this report).

During the year, services of a total value of £689,000 (2011: £673,000) were purchased by the Company from Albion Ventures LLP. At the financial year end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals and deferred income was £175,000 (2011: £5,000).

Patrick Reeve is the Managing Partner of the Manager, Albion Ventures LLP. During the year, the Company was charged by Albion Ventures LLP £21,600 including VAT (2011: £21,600) in respect of his services as a Director. At the year end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals and deferred income was £5,000 (2011: £4,000).

During the year the Company raised new funds through the Albion VCTs Linked Top Up Offers as detailed in note 15. The total cost of the issue of these shares was 5.5 per cent. of the sums subscribed. Of these costs, an amount of £6,740 (2011: £3,450) was paid to the Manager, Albion Ventures LLP, in respect of receiving agent services. There were no sums outstanding in respect of receiving agent services at the year end.

There are no other related party transactions or balances requiring disclosure.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Enterprise VCT PLC (the “Company”) will be held at The Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, London, EC2M 4TH on 4 September 2012 at 12 noon for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 6 and 8 will be proposed as ordinary resolutions and numbers 7 and 9 to 12 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts and the reports of the Directors and auditor for the year ended 31 March 2012.
2. To approve the Directors' remuneration report for the year ended 31 March 2012.
3. To re-elect Lady Balfour of Burleigh as a Director of the Company.
4. To re-elect Mr Patrick Reeve as a Director of the Company.
5. To re-appoint PKF (UK) LLP as auditor of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.
6. To authorise the Directors to agree the auditors' remuneration.

Special Business

7. That the Articles of Association of the Company be altered by deleting the present Article 3 setting out the authorised share capital of the Company in its entirety.
8. 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 50 pence per share in the Company up to an aggregate nominal amount of £1,712,332 (or £34,247 following the reduction in nominal value proposed by resolution 12) (which comprises 10 per cent. of the Company's Ordinary shares) provided that this authority shall expire 18 months from the date that this resolution is passed, or, if earlier, the conclusion of the next Annual General Meeting of the Company, but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.
9. That, subject to the authority and conditional on the passing of resolution number 8, 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 8 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) in connection with an offer of such securities by way of rights issue;
 - (b) pursuant to any Dividend Reinvestment Scheme introduced or operated by the Company; and
 - (c) otherwise than pursuant to sub-paragraphs (a) to (b) above, up to an aggregate nominal amount of £1,712,332 or £34,247 following the reduction in nominal value proposed by resolution 12) (equal to 10 per cent. of the Ordinary share capital);

and that this authority shall expire 18 months from the date that this resolution is passed or, if earlier, the conclusion of the next Annual General Meeting of the Company, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

This power applies in relation to a sale of treasury shares as if all references in this resolution to an allotment included any such sale and in the first paragraph of the resolution the words “pursuant to the authority conferred by resolution number 8 were omitted in relation to such a sale.

“Rights issue” means an offer of equity securities to holders of shares in the capital of the Company on the register on a record date fixed by the Directors in proportion as nearly as may be to the respective numbers of Ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to

Notice of Annual General Meeting continued

deal with any treasury shares, fractional entitlements or legal or practical issues arising under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or any other matter.

10. That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 50 pence each (or 1 penny following the reduction in nominal value as proposed in resolution 12) in the capital of the Company ("Ordinary shares"), on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 727 of the Act, provided that:
- (a) the maximum aggregate number of shares hereby authorised to be purchased is 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
 - (b) the minimum price which may be paid for a share shall be 50 pence (exclusive of expenses) (or 1 penny following the reduction in nominal value as proposed in resolution 12);
 - (c) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of (i) 105 per cent. of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and
 - (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire 18 months from the date that this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

Under section 724-732 of the Act, Ordinary shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 10 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

11. That the Directors be empowered to sell treasury shares at the higher of the prevailing current share price and the price at which they were bought in.
12. That:
- (a) the share capital of the Company, including treasury shares, (subject to the sanction of the Court), be reduced by cancelling and extinguishing 49 pence of the amount paid up or credited as paid up on each of the Ordinary shares of 50 pence each in the capital of the Company which are in issue at 6 pm on the day before the date on which an order is made confirming such cancellation by the Court;
 - (b) the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled.

BY ORDER OF THE BOARD

Albion Ventures LLP

Company Secretary
Registered Office
1 King's Arms Yard
London, EC2R 7AF
3 July 2012

Registered in England and Wales with number 05990732

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 AGM. 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; or
 - going to www.computershare.co.uk and following the instructions provided there; or
 - by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

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

To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 12 noon on 2 September 2012.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 ("the ACT") to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.
3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 12 noon on 2 September 2012 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this AGM and any adjournment(s) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 12 noon on 2 September 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion-ventures.co.uk under the "Our Funds" 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

Notice of Annual General Meeting continued

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 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 3 July 2012 being the latest practicable date prior to the publication of this Notice, the Company's issued share capital consists of 34,246,641 Ordinary shares carrying one vote each. The Company also holds 473,010 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 3 July 2012 are 33,773,631.

