



Albion Protected VCT PLC

ALBION VENTURES

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# Company information

<b>Company number</b>	3265074
<b>Directors</b>	D M Bralsford, Chairman MSc FCA FCT E Dinesen R (Danish) FSR P H Reeve MA ACA M V H Rees-Mogg MA
<b>Manager, company secretary and registered office</b>	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF Tel: 020 7601 1850 Fax: 020 7601 1875 Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>
<b>Registrars</b>	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0GA
<b>Auditors</b>	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
<b>Taxation advisers</b>	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RH
<b>Legal adviser</b>	Berwin Leighton Paisner Adelaide House London, EC4R 9HA

Albion Protected VCT PLC is a member of the Association of Investment Companies.

<b>Shareholder information</b>	For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars Limited: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30 am – 5.30 pm Mon-Fri) Email: <a href="mailto:ssd@capitaregistrars.com">ssd@capitaregistrars.com</a> Website: <a href="http://www.capitaregistrars.com">www.capitaregistrars.com</a>  Shareholders can access holdings and valuation information regarding any of their shares held by Capita Registrars by registering on Capita's website  For enquiries relating to the performance of the Fund please contact Albion Ventures LLP: Tel: 020 7601 1850 Email: <a href="mailto:info@albion-ventures.co.uk">info@albion-ventures.co.uk</a> Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>
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<b>IFA information</b>	Independent Financial Advisers with questions please contact Albion Ventures LLP: Tel: 020 7601 1850 (calls may be recorded, lines are open 9.00 am – 5.30 pm Mon-Fri) Email: <a href="mailto:info@albion-ventures.co.uk">info@albion-ventures.co.uk</a> Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>
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# Investment objectives

Albion Protected VCT PLC (the “Company”) commenced trading in April 1997.

Within the overall aim of maximising the considerable tax benefits available to shareholders in a venture capital trust, the Company’s investment strategy was designed to meet the requirements of investors who seek to have a lower risk investment whilst still providing an attractive level of return. Following shareholder approval in 2002 to change the Company’s investment policy, the investments made by Albion Protected VCT PLC currently fall into the following categories:

- Qualifying asset-based investments

Investments are principally in the hotel, leisure and residential healthcare sectors, with a mixture of equity and loan stock, with the loan stock normally secured by a first charge over freehold or long leasehold property.

Other than loan stock issued to funds managed or advised by Albion Ventures LLP, investee companies do not normally have any external borrowings. Investments are structured as a mixture of equity and loan stock and the loan stock represents the majority of the finance provided.

Funds managed or advised by Albion Ventures LLP typically own 50 per cent. of the equity of the investee company.

- Non-qualifying investments

The remaining funds are invested in cash and floating rate notes, or similar investments, with banks with a Moody’s rating of A and above.

The Company currently holds two AIM investments which it will realise over time. The Company does not currently intend to make new investments in AIM quoted shares.

## Financial calendar

Record date for first dividend	11 June 2010
Annual General Meeting	28 June 2010
Payment of first dividend	9 July 2010
Announcement of half-yearly results for the six months ended 30 September 2010	November 2010
Payment of second dividend	January 2011

## Financial highlights

71.8p

Net asset value per share as at 31 March 2010

1.5p

The Board declares an increased tax free first dividend from 1 penny per share to 1.5 pence per share for the year to 31 March 2011

3.2p

Tax free annual average dividend since launch

99%

of VCT invested in asset-backed companies or cash

	Year ended 31 March 2010 (pence per share)	Year ended 31 March 2009 (pence per share)
Dividends paid per share	2.0	4.5
Revenue return per share	2.3	2.4
Capital loss per share	(0.8)	(18.5)
Net asset value per share	71.8	72.0

### Total shareholder net asset value return to 31 March 2010:

Total dividends paid during the period ended 31 March 1998	1.10
31 March 1999 <sup>(i)</sup>	6.40
31 March 2000	1.50
31 March 2001	4.25
31 March 2002	2.75
31 March 2003	2.00
31 March 2004	1.25
31 March 2005	2.20
31 March 2006	4.50
31 March 2007	4.00
31 March 2008	5.00
31 March 2009	4.50
31 March 2010	2.00
Total dividends paid to 31 March 2010	41.45
Net asset value as at 31 March 2010	71.80
<b>Total shareholder net asset value return to 31 March 2010</b>	<b>113.25</b>

In addition to the above dividends paid, the Directors have declared a first dividend for the new financial year of 1.5 pence per Ordinary share, payable on 9 July 2010 to shareholders on the register as at 11 June 2010.

#### Notes

- (i) Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.
- (ii) The above table excludes the tax benefits investors received upon subscription for shares in the Company.

# Chairman's statement

## Introduction

The year to 31 March 2010 showed a welcome return to positive performance with a total return of 1.5 pence per share before dividends. The marked improvement in the second half reflects the more favourable market conditions of the UK economy and the maturity of the investment portfolio.

## Investment performance and progress

The properties within our portfolio are subject to independent third party professional valuations on an annual basis. Overall, these have remained steady over the past year. The cinemas in particular have had a good period, with an improvement in performance despite the recession. Our portfolio of hotels, meanwhile, continues to mature with improved performance from The Place Sandwich, and a steady performance from The Crown Hotel at Harrogate, though this was offset by the under-performance against previous years at the Holiday Inn Express at Stansted Airport, where air traffic is still some way below its peak. Nevertheless, our Stansted hotel remains strongly profitable and cash generative and current indications are that the decline in performance is now beginning to reverse. The Bear Hotel at Hungerford also experienced a more challenging year but recent profitability has been improving. Our hotel at Stanwell, between Heathrow's Terminals 4 and 5, has now opened.

The health and fitness club investments continue to show an encouraging growth in membership and an increase in profitability at the three core sites of West Kensington, Weybridge and Tower Bridge. The exception to this is the River Bourne Health Club, which, as mentioned in the Half-yearly Financial Report, was placed into administration in October 2009, leading the Company to record a small capital loss.

After the reorganisation of some of the investments, our pub portfolio is now performing well and most are generating operating profits. This has been further helped by the investment in Geronimo Inns during the year and the resulting purchase of four landmark freehold pubs in Central London. This pub group is performing comfortably above expectations.

The residential development investments continue to be wound down with our £450,000 equity in Youngs VCT Limited being returned during the year.

In addition to the investment in Geronimo Inns, the key new investment during the year was in the development of a psychiatric hospital in Taunton. The first stage was the purchase of an existing care home with planning permission for a substantial extension. While this continues the strategy of healthcare investment which your Company has adopted

since 2004, we regard the psychiatric area as a new and attractive niche market.

Meanwhile, advantage was taken of the revival in the AIM market, and £756,000 was realised from the disposal of investments in our residual AIM portfolio. This now leaves only two investments, valued at £207,000 in total.

## Risks and uncertainties

The outlook for the UK economy continues to be the key risk affecting the Company, although current indications are that the worst of the recession is now over. Importantly, your Company remains conservatively financed with no bank borrowings at either corporate or investee company level, in addition to the policy of ensuring that the Company has a first charge over investee companies' assets. Meanwhile, opportunities within our target sectors continue to arise at attractive valuations, including the healthcare sector which will revert to being one of our core areas of concentration going forwards.

## Reduction of share capital and cancellation of capital redemption reserve

The Board is proposing that shareholders approve the reduction of share capital by reducing the nominal value of Ordinary shares from 50 pence to 1 penny per Ordinary share and the cancellation of the Company's capital redemption reserve. This proposal would increase the reserves available to the Company for the payment of dividends, the buy-back of shares and for other corporate purposes.

## Proposed change of name

Since its launch in 1997, Albion Protected VCT PLC has consistently maintained a lower risk investment policy, first through investments in loans guaranteed by The Royal Bank of Scotland PLC, and subsequently, from 2002, through an asset-backed investment policy. This lower risk policy will continue. The Financial Services Authority, however, is discouraging the use of words such as "Protected" when naming funds, and accordingly your Board is proposing that the name of the VCT be changed to Albion Prime VCT PLC at the forthcoming Annual General Meeting.

**New share certificates will not be issued following the reduction in share capital and the change of name, and existing certificates will remain valid.**

## Share buy-backs and share price discount

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest, including the maintenance of sufficient resources for investment in existing and new investee companies and the continued payment of dividends to

## Chairman's statement (continued)

shareholders. In order to balance these different requirements, your Board has restricted the Company's buy-back policy so as to limit the cash available for share buy-backs. Accordingly, the Company will now limit the sum available for share buy-backs for the six month period to 30 September 2010 to £200,000. This compares to a total value bought in for the previous six months of £99,000. If this limit is reached, the Board will review its policy in the light of cash available for new investments and for dividends to existing shareholders.

For the great majority of the Company's life, its shares have traded at a discount of around 10 per cent. to net asset value. During the recent turmoil in the financial markets, this discount has widened considerably. This should be seen as a temporary measure, designed in part to preserve cash in a time of market uncertainty. However, it is now the Company's intention that, subject to the sufficiency of cash resources and any market constraints, share buy-backs will revert to taking place at a discount of around 10 per cent. to the prevailing net asset value.

### Cap on Total Expense Ratio ("TER")

In line with market practice, the Board has agreed with the Manager that the ratio of total normal expenses (excluding corporation tax, any management performance incentive and exceptional costs) will be limited to 3.5 per cent. per annum of net assets, with any excess being borne by the Manager through a reduction in its management fee. For the year to 31 March 2010, the TER was 3.0 per cent. (excluding the recognition of recoverable VAT).

### Results and dividend policy

As at 31 March 2010, the net asset value was £14.8 million or 71.8 pence per share, compared to £15.1 million or 72.0 pence per share as at 31 March 2009. The revenue return before taxation was £0.5 million compared to £0.6 million for the year to 31 March 2009.

For the year to 31 March 2010, the Company paid a total dividend of 2 pence per share, compared to average annual dividends since launch of 3.2 pence per share. This reduction was in response to declining investment income, principally due to low market interest rates, and the general uncertainties in the financial markets. However as indicated

in the Manager's report on page 7, the Company's investment income has begun to rise, while the investment portfolio has proved to be resilient. Accordingly, it is now your Company's policy, subject to the sufficiency of reserves and cash resources, to maintain an annual dividend target of 3 pence per share annually.

The Company will therefore pay a first dividend of 1.5 pence per share on 9 July 2010 to those shareholders on the share register as at 11 June 2010, which compares to 1 penny per share for the same period the previous year.

### Supporting enterprise and growth

Recent research undertaken by the Association of Investment Companies has demonstrated that VCT investment provides substantial benefits for UK small businesses and the economy in at least three ways: first, by creating jobs; second, by providing additional management skills, to support growing businesses; and finally, by being cost-effective, in that the cost to the public purse is more than offset by the increased tax returns generated by growing VCT-backed companies. In common with other VCTs, we would urge the new Government to continue to encourage VCTs as one of the best ways to support enterprise and future economic growth.

### Outlook and prospects

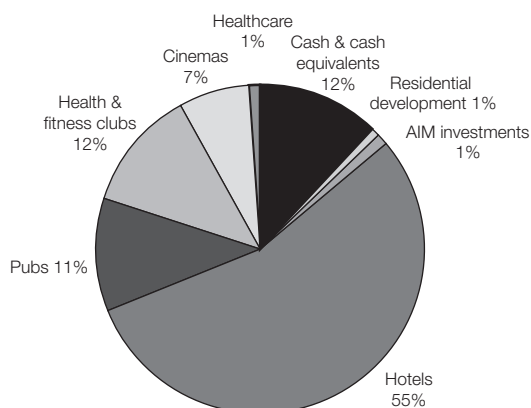
Most of our investee companies' current trading is encouraging and whilst we have some concerns as to the effect on the UK economy of the next Budget following the election result, the increasing maturity and cash generative nature of the majority of our investments leads us to view their future trading prospects with cautious optimism. We believe it is likely to be some time, however, before availability of bank finance allows potential purchasers to be in a position to acquire our investments at prices which we would find attractive. On the other hand, our Manager is assessing a number of interesting investment opportunities, particularly in the healthcare and environmental sectors.

### Martin Bralsford

Chairman  
1 June 2010

# Manager's report

The sector split of the portfolio by valuation as at 31 March 2010 is shown below:



Source: Albion Ventures LLP

## Investment portfolio

The investment portfolio has weathered the recession in reasonable shape. The income generated for the year to 31 March 2010 was approximately 5.5 per cent, below the level seen in the previous twelve months, due to the very low market interest rates from cash held on deposit as well as lower returns on loan stock investments. Income from the underlying investments is now improving. The Company's income for the six months to 31 March 2010 was some 44 per cent, higher than for the six months to 31 March 2009, as a result of performance improving across a number of investments. Income from the health and fitness club investments is increasing as membership levels continue to rise, while the hotel portfolio, particularly the older hotels which have been subject to extensive refurbishment, has also been able to generate a higher level of income for the Company. The opening of the Stanwell Hotel next to Heathrow Airport should lead to a further increase in income for the new financial year, while the reorganisation of the pub portfolio has also resulted in an enhanced level of income.

## Investment activity

The key new investment in the year has been £220,000 into the two Geronimo pub companies where, as mentioned in the Chairman's statement, performance has been particularly strong. In addition, a total of £182,000 has been invested in the Taunton Hospital project, which will be developed into a unit catering for long stay psychiatric patients. We have also exchanged on the site for a new specialist nursing home in North London, though this is still subject to planning. In general, we anticipate that the healthcare sector will revert to being a core area of potential investment. Other areas under review include a number of potential investments in the waste-to-energy and biofuel sectors, where property forms a large part of the asset and provides backing to long term supply contracts. £105,000 was invested in four of our cinema companies to fund the roll out of digital equipment and a further £40,000 into Bravo Inns II Limited.

A number of companies have repaid loan stock and equity during the year including £450,000 from Youngs VCT, £148,000 from Kew Green VCT (Stansted) and £77,000 from two of our pub companies.

In addition, as mentioned in the Chairman's statement, proceeds of £756,000 were realised from the Company's residual AIM portfolio, which has now been reduced to two remaining investments with a total market value of £207,000.

## Albion Ventures LLP

Manager  
1 June 2010



# The Board of Directors

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

**Martin Bralsford (62) MSc, FCA, FCT, Chairman (appointed 4 February 1997).** After qualifying as a chartered accountant with Pannell Kerr Forster & Co, London, Martin Bralsford held senior positions in a number of large listed companies including the Rank Organisation, Cadbury Schweppes and The Stanley Gibbons Group Plc. In 1986 he was a member of the management buy-out team which acquired the food and beverage division of Cadbury Schweppes and he subsequently became managing director of Premier Brands Limited. He left Premier Brands Limited in 1991. He was chief executive of C.I. Traders Limited, a Jersey based leisure, retail and property conglomerate until July 2007. He currently provides corporate consultancy services to a number of listed companies (including Collins Stewart Wealth Management) through his consultancy company, Marbral Limited. He is a resident of Jersey.

**Ebbe Dinesen R (Danish) (63) FSR (appointed 31 December 2008),** qualified as a chartered accountant in Denmark before working in senior positions in Danish industry. In 1985 he came to the United Kingdom and became CEO of Carlsberg UK in 1987. He later became CEO of Carlsberg-Tetley PLC (now Carlsberg UK) and became executive chairman of the company in 2001. He stepped down in 2006. He was chairman of the British Brewers from 2002 to 2006. Ebbe Dinesen was Danish vice-consul for The Midlands from 1987 to 2006. In 2000 he was knighted by the Queen of Denmark.

**Modwenna Rees-Mogg (41) MA (appointed 31 December 2008).** Following an early career as a corporate financier at Kleinwort Benson Limited where she worked on M&A and fundraisings for many FTSE100 companies and other clients, she founded the online media business AngelNews in 2003, which is focused on the early stage investment market for both investors and entrepreneurs. She is on the advisory board of Pickering & Chatto (Publishers) Limited and is the author of *Dragons or Angels*, a handbook on how to raise money from business angels and how to be a business angel investor.

**Patrick Reeve (50) MA, ACA (appointed 7 October 2003),** qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Albion Ventures' (then Close Ventures Limited) activities with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. Patrick became managing partner of Albion Ventures in 2009. He read modern languages at Oxford University. He is a director of Albion Technology & General VCT PLC, Albion Income & Growth VCT PLC, Albion Enterprise VCT PLC and Healthcare and Leisure Property Fund PLC, all managed or advised by Albion Ventures LLP.

# The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Services Authority and is the Manager of Albion Protected VCT PLC. In addition to Albion Protected VCT PLC, it manages a further six venture capital trusts, and has currently total funds under management of approximately £200 million. Albion was awarded “VCT Manager of the Year” at the “Unquote” British Private Equity Awards 2009 and “VCT of the Year” for Albion Development VCT PLC at the 2009 Investor AllStar Awards.

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

**Patrick Reeve (50), MA, ACA**, details included in the Board of Directors section.

**Will Fraser-Allen, (39), 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 (then Close Ventures Limited) in 2001 since when he has focused on leisure and healthcare investing. Will became deputy managing partner of Albion Ventures in 2009. Will has a BA in History from Southampton University.

**Isabel Dolan (45), 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 (then Close Ventures Limited) in 2005, having previously been finance director for a number of unquoted companies. Isabel became operations partner at Albion Ventures in 2009. She has a BSc in Biochemistry with Pharmacology from Southampton University and an MBA from London Business School.

**Dr Andrew Elder (39), MA, FRCS**, joined Albion Ventures 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 (40), 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 in 2000 and has since made and exited investments in a number of industry sectors, including healthcare,

education, technology, leisure and engineering. Emil became a partner in Albion Ventures in 2009.

**David Gudgin (38), BSc (Hons), ACMA**, qualified as a management accountant with ICL before spending 3 years at the BBC. In 1999 he joined 3i plc as an investor in European technology based in London and Amsterdam. In 2002 he moved to Foursome Investments (now Frog Capital) as the lead investor of an environmental technology and a later stage development capital fund. David joined Albion Ventures in 2005 and became a partner in Albion Ventures in 2009. David has a BSc in Economics from Warwick University.

**Michael Kaplan (33), BA, MBA**. Prior to joining Albion Ventures 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 in 2010.

**Ed Lascelles (34), BA (Hons)**, joined Albion Ventures in 2004. He previously worked for ING Barings in the corporate finance department, focusing on smaller UK companies. Prior to ING Barings, Ed worked in the corporate broking department of Charterhouse Securities where he assisted in equity fundraisings and other corporate transactions for quoted UK companies. Ed graduated from UCL with a first class degree in philosophy. He became a partner in Albion Ventures in 2009.

**Henry Stanford (45), MA, ACA**, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group in 1992, becoming an assistant director in 1996. He moved to Albion Ventures in 1998. Henry became a partner in Albion Ventures in 2009. He holds an MA degree in Classics from Oxford University.

**Robert Whitby-Smith (35), 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 in 2009.

**Marco Yu (32), 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 in 2007 and became an investment manager in Albion Ventures in 2009. Marco graduated from Cambridge University with a first class degree in economics and is a Chartered Surveyor.

# Portfolio of investments

The following list is a summary of investments as at 31 March 2010:

Qualifying investments	% voting rights	% voting rights of AVL* managed companies	As at 31 March 2010			As at 31 March 2009			Change in value for the year** £'000
			Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	
<b>Hotels</b>									
Kew Green VCT (Stansted) Limited	16.9	50.0	2,672	1,106	3,778	2,820	1,332	4,152	(226)
The Stanwell Hotel Limited	17.9	50.0	1,900	(314)	1,586	1,900	(361)	1,539	47
The Crown Hotel Harrogate Limited	8.4	50.0	1,674	(487)	1,187	1,674	(520)	1,154	33
The Bear Hungerford Limited	14.6	50.0	1,167	(373)	794	1,167	(315)	852	(58)
The Place Sandwich VCT Limited	13.8	50.0	803	(220)	583	803	(244)	559	24
<b>Total hotel investments</b>			<b>8,216</b>	<b>(288)</b>	<b>7,928</b>	<b>8,364</b>	<b>(108)</b>	<b>8,256</b>	<b>(180)</b>
<b>Pubs</b>									
The Charnwood Pub Company Limited	6.0	50.0	2,075	(1,093)	982	2,017	(952)	1,065	(141)
Bravo Inns II Limited	1.1	50.0	170	(7)	163	130	(8)	122	1
Geronimo Inns VCT I Limited	1.4	50.0	110	15	125	-	-	-	15
Geronimo Inns VCT II Limited	1.4	50.0	110	15	125	-	-	-	15
Bravo Inns Limited	2.6	50.0	230	(107)	123	230	(107)	123	-
The Dunedin Pub Company VCT Limited	4.0	50.0	142	(92)	50	204	(87)	117	(5)
GB Pub Company VCT Limited	2.9	50.0	121	(78)	43	133	(75)	58	(3)
<b>Total pub investments</b>			<b>2,958</b>	<b>(1,347)</b>	<b>1,611</b>	<b>2,714</b>	<b>(1,229)</b>	<b>1,485</b>	<b>(118)</b>
<b>Health and fitness clubs</b>									
The Weybridge Club Limited	6.0	50.0	980	(103)	877	980	(110)	870	7
Kensington Health Clubs Limited	4.9	50.0	1,124	(455)	669	1,100	(446)	654	15
Tower Bridge Health Clubs Limited	2.9	50.0	183	5	188	183	(31)	152	36
River Bourne Health Club Limited	5.0	50.0	4	-	4	100	(81)	19	(5)
<b>Total health and fitness club investments</b>			<b>2,291</b>	<b>(553)</b>	<b>1,738</b>	<b>2,363</b>	<b>(668)</b>	<b>1,695</b>	<b>53</b>
<b>Cinemas and other leisure</b>									
CS (Greenwich) Limited	7.6	50.0	442	(18)	424	415	(74)	341	56
City Screen (Liverpool) Limited	22.7	50.0	277	(45)	232	250	2	252	(47)
CS (Brixton) Limited	3.0	50.0	126	35	161	115	23	138	12
Premier Leisure (Suffolk) Limited	5.3	50.0	390	(290)	100	390	(241)	149	(49)
CS (Exeter) Limited	3.0	50.0	49	(4)	45	45	-	45	(4)
CS (Norwich) Limited	1.3	50.0	20	(3)	17	20	(6)	14	3
<b>Total cinemas and other leisure investments</b>			<b>1,304</b>	<b>(325)</b>	<b>979</b>	<b>1,235</b>	<b>(296)</b>	<b>939</b>	<b>(29)</b>
<b>Residential development</b>									
Wickenhall Mill VCT Limited	27.3	50.0	545	(449)	96	547	(411)	136	(40)
Chase Midland VCT Limited	4.8	50.0	90	(4)	86	90	(7)	83	3
<b>Total residential development investments</b>			<b>635</b>	<b>(453)</b>	<b>182</b>	<b>637</b>	<b>(418)</b>	<b>219</b>	<b>(37)</b>
<b>Healthcare</b>									
Taunton Nursing Homes Limited	1.6	50.0	100	-	100	-	-	-	-
Orchard Portman Hospital Limited	2.4	50.0	82	-	82	-	-	-	-
<b>Total healthcare investments</b>			<b>182</b>	<b>-</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>AIM investment portfolio</b>									
Focus Solutions Group PLC	n/a	n/a	80	(64)	16	80	(69)	11	3
Pennant International Group PLC	n/a	n/a	500	(309)	191	499	(395)	104	96
<b>Total AIM investments</b>			<b>580</b>	<b>(373)</b>	<b>207</b>	<b>579</b>	<b>(464)</b>	<b>115</b>	<b>99</b>
<b>Total qualifying investments</b>			<b>16,166</b>	<b>(3,339)</b>	<b>12,827</b>	<b>15,892</b>	<b>(3,183)</b>	<b>12,709</b>	<b>(212)</b>

\* Albion Ventures LLP

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

## Portfolio of investments (continued)

			As at 31 March 2010			As at 31 March 2009			Change in value for the year £'000
			Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	
<b>Non-qualifying investments</b>	% voting rights	% voting rights of AVL* managed companies							
The Place Sandwich VCT Limited	n/a	n/a	94	143	237	94	101	195	41
AIM investments	n/a	n/a	1	(1)	-	92	(92)	-	-
<b>Total non-qualifying investments</b>			95	142	237	186	9	195	41
<b>Total fixed asset investments</b>			16,261	(3,197)	13,064	16,078	(3,174)	12,904	(171)

\*Albion Ventures LLP

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

# Portfolio companies

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

## Kew Green VCT (Stansted) Limited

The company developed and operates a limited service hotel under the "Holiday Inn Express" brand at Stansted Airport on a 125 year lease. The hotel opened in January 2005 with 183 bedrooms. A 71 bedroom extension opened in July 2007, taking the hotel to 254 bedrooms.



	<b>Audited results: year to 31 August 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	4,686	Income recognised in the year	206
Profit before interest	740	Total cost	2,672
Net assets	3,480	Total valuation	3,778
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	16.9 per cent.
Website:	<a href="http://www.expressstanstedairport.co.uk">www.expressstanstedairport.co.uk</a>		

Funds managed and advised by Albion Ventures LLP have invested £8,650,000 in the company and the current total valuation is £11,778,150. Their combined equity holding in the company is 50 per cent.

## The Stanwell Hotel Limited

The company acquired the 19 bedroom Stanwell Hall Hotel near Heathrow in August 2007. Planning consent was subsequently obtained to extend the hotel to 54 bedrooms and the hotel re-opened at the end of April 2010.



	<b>Audited results: year to 31 August 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	18	Income recognised in the year	-
Loss before interest	(117)	Total cost	1,900
Net assets	571	Total valuation	1,586
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	17.9 per cent.
Website:	<a href="http://www.thestanwellhotel.co.uk">www.thestanwellhotel.co.uk</a>		

Funds managed and advised by Albion Ventures LLP have invested £6,500,000 in the company and the current total valuation is £5,426,000. Their combined equity holding in the company is 50 per cent.

## The Crown Hotel Harrogate Limited

The company acquired the historic 112 bedroom Crown Hotel in Harrogate, Yorkshire in November 2005. A refurbishment has been carried out and the hotel is once again recognised as one of the leading hotels in Harrogate.



	<b>Audited results: year to 31 March 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	2,534	Income recognised in the year	53
Loss before interest	(73)	Total cost	1,674
Net assets	7,174	Total valuation	1,187
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	8.4 per cent.
Website:	<a href="http://www.crownhotelharrogate.com">www.crownhotelharrogate.com</a>		

Funds managed and advised by Albion Ventures LLP have invested £9,500,000 in the company and the current total valuation is £6,630,000. Their combined equity holding in the company is 50 per cent.

## Portfolio companies (continued)

### The Charnwood Pub Company Limited

The company is a pub company which owns and operates 11 freehold public houses in central England. The pubs are seeing improving trading due to benefits of a refurbishment programme and strong operational management.



	<b>Audited results: year to 31 October 2008*</b>	<b>Investment information</b>	<b>£'000</b>
Turnover	563	Income recognised in the year	56
Profit before interest	28	Total cost	2,075
Net liabilities	(6)	Total valuation	982
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	6.0 per cent.
Website:	www.charnwoodpubco.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £15,072,000 in the company and the current total valuation is £8,157,000. Their combined equity holding in the company is 50 per cent.

\*The audited results relate to the two initially acquired sites. The company has subsequently acquired more sites. The next audited results will cover the extended accounting period to 31 March 2010, which will incorporate the entire pub portfolio.

### The Weybridge Club Limited

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



	<b>Audited results: year to 31 August 2009</b>	<b>Investment information</b>	<b>£'000</b>
Turnover	1,612	Income recognised in the year	38
Profit before interest	50	Total cost	980
Net liabilities	(286)	Total valuation	877
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	6.0 per cent.
Website:	www.theweybridgeclub.com		

Funds managed and advised by Albion Ventures LLP have invested £8,334,000 in the company and the current total valuation is £7,395,000. Their combined equity holding in the company is 50 per cent.

### The Place Sandwich VCT Limited

The company acquired the 34-bedroom Bell Hotel at Sandwich in Kent in January 2005, following which a substantial refurbishment programme has been undertaken. Three additional bedrooms have recently been created, taking the total number of bedrooms to 37.



	<b>Audited results: year to 30 June 2009</b>	<b>Investment information</b>	<b>£'000</b>
Turnover	1,261	Income recognised in the year	58
Loss before interest	(13)	Total cost	898
Net assets	2,192	Total valuation	820
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	13.8 per cent.
Website:	www.bellhotelsandwich.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £3,100,000 in the company and the current total valuation is £2,796,000. Their combined equity holding in the company is 50 per cent.

## Portfolio companies (continued)

### The Bear Hungerford Limited

The company acquired the historic 41 bedroom Bear Hotel in Hungerford in 2005 and a refurbishment programme has taken place. The hotel is becoming increasingly well known for the quality of its food.

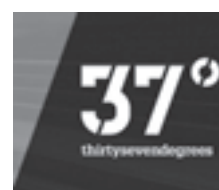


	<b>Audited results:</b> <b>year to 31 March 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	1,478	Income recognised in the year	43
Profit before interest	150	Total cost	1,167
Net liabilities	(1,037)	Total valuation	794
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	14.6 per cent.
Website:	www.thebearhotelhungerford.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £3,950,000 in the company and the current total valuation is £2,663,000. Their combined equity holding in the company is 50 per cent.

### Kensington Health Clubs Limited

The company has developed a 29,000 square foot health and fitness club on a 999 year lease in West London which opened in December 2007. There are currently approximately 2,700 members.



	<b>Audited results:</b> <b>year to 30 September 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	2,037	Income recognised in the year	54
Profit before interest	30	Total cost	1,124
Net assets	1,688	Total valuation	669
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	4.9 per cent.
Website:	www.thirtysevendegrees.co.uk/olympia		

Funds managed and advised by Albion Ventures LLP have invested £11,845,000 in the company and the current total valuation is £7,155,000. Their combined equity holding in the company is 50 per cent.

### CS (Greenwich) Limited

This company operates the five screen Picturehouse cinema in Greenwich.



	<b>Audited results:</b> <b>year to 30 December 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	2,172	Income recognised in the year	43
Profit before interest	700	Total cost	442
Net assets	616	Total valuation	424
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	7.6 per cent.
Website:	www.picturehouses.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £2,895,000 in the company and the current total valuation is £2,771,000. Their combined equity holding in the company is 50 per cent.

### City Screen (Liverpool) Limited

This company operates the three screen Picturehouse at FACT cinema in Liverpool.



	<b>Audited results:</b> <b>year to 31 December 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	1,245	Income recognised in the year	27
Profit before interest	58	Total cost	277
Net assets	18	Total valuation	232
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	22.7 per cent.
Website:	www.picturehouses.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £610,000 in the company and the current total valuation is £513,000. Their combined equity holding in the company is 50 per cent.

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

# Directors' report and enhanced business review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Protected VCT PLC (the "Company") for the year ended 31 March 2010.

## BUSINESS REVIEW

### Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ("HMRC") as a venture capital trust in accordance with Part 6 of the Income Tax Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 March 2010 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

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

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

### Capital structure

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

The Company's share capital comprises Ordinary shares. Currently Ordinary shares represent 100 per cent. of the total share capital and voting rights. All shares rank *pari passu* for dividend and voting purposes. 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.

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) under the 'Our Funds' section. During the year the Company issued 17,628 new Ordinary shares under the Dividend Reinvestment Scheme, details of which can be found in note 16.

### Substantial interests and shareholder profile

As at 31 March 2010 and at the date of this report, the Company was aware that Pershing Keen Nominees Limited (on behalf of a number of underlying clients) had a beneficial interest of 10.6 per cent. in the issued share capital of the Company. There have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 March 2010, and to the date of this report.

The table below shows the shareholder profile as at 1 June 2010 for the Company's Ordinary shares:

Number of shares held	% shareholders	%share capital
1-10,000	55.1	11.0
10,001-50,000	34.9	34.0
50,001-100,000	8.4	26.0
100,001-500,000	1.4	9.0
500,001-1,000,000	0.2	20.0

### Investment policy

The Company's investment policy is designed to meet the requirements of investors who seek lower risk investments whilst still providing an attractive level of return. The investments managed by Albion Ventures LLP currently fall into the following categories:

- Qualifying asset-based investments  
These comprise investments principally in the hotel, leisure, healthcare and residential development sectors, with a mixture of equity and loan stock, with the loan stock normally holding a first charge over freehold or long leasehold property.
- Non-qualifying investments  
The remaining funds are invested in cash and floating rate notes, or similar instruments, with banks with a Moody's rating of A and above.

The Company currently holds two AIM investments which it will realise over time. The Company does not currently intend to make new investments in AIM quoted shares.

Qualifying asset-based investee companies do not normally have any external borrowing with a charge ranking ahead of the VCT. Up to two thirds of qualifying assets by cost will comprise loan stock secured with a first charge on the investee company's assets.

### 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';



## Directors' report and enhanced business review (continued)

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

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in one investee company. The tests have been carried out and independently reviewed for the year ended 31 March 2010. The Company has complied with all tests and continues to do so.

'Qualifying holdings' for Albion Protected 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 and agriculture. Details of the sectors in which the Company is invested can be found in the pie charts on page 7 of the Manager's report.

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

### Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 March 2010, the Company's maximum exposure was £1,478,000 (2009: £1,506,000), and its actual short term and long term gearing at this date was £nil (2009: £nil). The Directors do not currently have any intention to utilise long term gearing.

### Current portfolio sector allocation

The pie chart on page 7 of the Manager's report shows the split of the portfolio valuation by industrial or commercial sector as at 31 March 2010. Details of the principal investments made by the Company are shown in the Portfolio of investments on page 10.

### Review of business and future changes

A detailed review of the Company's business during the year and future prospects is contained in the Chairman's statement on page 5 and the Manager's report on page 7. Details of significant events which have occurred since the end of the financial year are listed in note 21 and 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 regular dividend income to shareholders over the long term.

### Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Services Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 19.

### Results and dividends

The results for the year ended 31 March 2010 are as follows:

	<b>£'000</b>
Net revenue return for the year ended 31 March 2010	473
Revenue dividend paid on 7 August 2009	(205)
Revenue dividend paid on 9 January 2010	(166)
<b>Transferred to revenue reserve</b>	<b>102</b>
<b>Realised and unrealised capital loss for the year transferred to reserves</b>	<b>(157)</b>
Net assets as at 31 March 2010	14,776
Net assets per share as at 31 March 2010 (pence per share)	71.8

The Company paid dividends of 2.0 pence per share (2009: 4.5 pence) during the year ended 31 March 2010.

As shown in the Company's Income statement on page 29 of the Financial Statements, the total investment income has decreased to £769,000 (2009: £814,000) and revenue return to equity holders has fallen to £473,000 (2009: £503,000) due to lower interest rates on cash deposits as a result of low base and LIBOR rates during the latter half of the year. In addition loan stock income has decreased due to lower returns on loan stock investments as some leisure investments take longer than expected to reach maturity.

# Directors' report and enhanced business review (continued)

The capital return for the year was a loss of £157,000 (2009: loss of £3,903,000). Losses in the year are mainly attributable to the capitalisation of management fees net of taxation offset by a small recovery of capitalised historic VAT.

The total return per share was a profit of 1.5 pence per share (2009: loss 16.1 pence per share).

The Balance sheet on page 30 shows that the net asset value per share has decreased over the last year to 71.8 pence per share (2009: 72.0 pence per share). The fall in net asset value can be attributed to the payment of dividends totalling 2.0 pence per share during the year, offset by a positive total return for the year.

Cash flow for the business has been positive for the year, reflecting an inflow from operations, repayment of loan stock and disposal of some fixed asset investments, offset by the purchase of own shares for cancellation, the payment of dividends and further acquisitions of qualifying investments.

## Share buy-backs

The Company operates a programme of buying back shares either for cancellation or for holding in treasury. Details regarding the current policy can be found on page 5 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 27 shows Albion Protected VCT PLC's share price total return against the FTSE All-Share Index total return, in both cases with dividends reinvested, since first allotment. Further details on the performance of the net asset value and return per share for the year are shown above.

The total expense ratio for the year to 31 March 2010 excluding the effect of the recognition of recoverable VAT due on historic management fees was 3.0 per cent. (2009: 3.5 per cent.). The total expense ratio taking into account the one off recognition of recoverable VAT due on historic management fees was 2.9 per cent. (2009: 1.4 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 15.

## Principal risks and uncertainties

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

### 1. *Investment risk*

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

To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and their strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites comments from all non-executive Directors on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.

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

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

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

### 3. *Compliance risk*

The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation.

# Directors' report and enhanced business review (continued)

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 the most senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditors, lawyers and other professional bodies.

#### 4. *Internal control risk*

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

The Audit Committee meets with the Manager's internal auditors, Littlejohn LLP, at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 25.

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

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

The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions. There are provisions within the management agreement for the change of Manager under certain circumstances (for more detail, see the management agreement paragraph on page 19). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.

#### 6. *Financial risks*

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

All of the Company's income and expenditure is denominated in sterling and hence the Company has

no foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments.

#### **Environment**

The management and administration of Albion Protected 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 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:

	<b>31 March 2010</b>	<b>31 March 2009</b>
D M Bralsford	<b>30,000</b>	30,000
P H Reeve	<b>12,900</b>	12,900
E Dinesen	<b>9,852</b>	–
M V H Rees-Mogg	<b>5,000</b>	5,000

There have been no changes in the holdings of the Directors between 31 March 2010 and the date of this report.

All Directors are members of the Audit Committee, except for Patrick Reeve, who is the Managing Partner of the Manager and is deemed to have an interest in the management contract and management performance incentive to which the Company is party. Ebbe Dinesen is Chairman of the Audit Committee.

No options over the share capital, long term incentive or retirement benefits of the Company have been granted to Directors personally, nor does the Company make a contribution to any pension scheme on behalf of the Directors. Further details of Directors' remuneration are shown in the Directors' remuneration report on page 27.

#### **Directors' indemnity**

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

# Directors' report and enhanced business review (continued)

against any liability arising out of any claim made against him/her in relation to the performance of his/her duties as a Director of the Company. A copy of each Deed of Indemnity entered into by the Company for each Director is available at the Registered Office of the Company.

## Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance. At the forthcoming Annual General Meeting, Martin Bralsford and Patrick Reeve will retire and offer themselves for re-election. Further details of this can be found in the Statement of corporate governance on page 23.

Martin Bralsford has been a Director of the Company for more than nine years. The Board does not consider that his length of service reduces his ability to act independently of the Manager.

## Management agreement

The management agreement can be terminated by either party on 12 months' notice and is also subject to earlier termination in the event of certain breaches or on the insolvency of either party. Under this agreement, the Manager also provides secretarial and administrative services to the Company.

The management fee is calculated as 1.8 per cent. of the investments of the Company. The fee is payable quarterly in arrears.

In addition, an annual secretarial and administrative fee of £27,865 (2009: £27,865) is payable to the Manager.

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

## Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager.

The incentive is based on a share of the excess return above a hurdle rate, paid out annually in cash as an addition to the management fee. The share of the excess return will be 10 per cent. The hurdle rate has been set at an annual return of 5 per cent. per annum, representing dividends paid and growth in net asset value, over the preceding year's net asset value. No management performance incentive fee is payable for the year ended 31 March 2010 (2009: £nil).

Incentive fees may be paid out on an annual basis, following the Annual General Meeting. Both the total return and the hurdle rate will be cumulative from 1 April 2005, with any shortfall resulting in payments not being made until performance catches up.

## 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 of the Manager to other service providers. The Board believes that it is in the interest of the shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

## Valuation of investments

As described in note 2 of the Financial Statements, the unquoted equity investments held by the Company are valued at fair value through profit or loss in accordance with the September 2009 International Private Equity and Venture Capital Valuation Guidelines. These Guidelines set out recommendations intended to represent current best practice on the valuation of venture capital investments. Unquoted investments are valued on the basis of forward looking estimates and judgements about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgements the valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. Unquoted loan stock is valued at amortised cost.

## Investment and co-investment

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

## Auditors

A resolution to re-appoint PKF (UK) LLP as auditors will be proposed at the Annual General Meeting on 28 June 2010.

## Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. Trade creditors totalled £5,000 as at 31 March 2010 (2009: £nil). The creditor days as at 31 March 2010 were 4.1 days (2009: nil days).

# Directors' report and enhanced business review (continued)

## 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 28 June 2010. The notice of the Annual General Meeting is at the end of this document.

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

A summary of proxies lodged at the Annual General Meeting will be published at [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) within the 'Our Funds' section by clicking on Albion Protected VCT PLC.

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

## Power to allot shares

Resolution number 7 will request the authority to allot up to an aggregate nominal amount of £1,141,854 representing approximately 10 per cent. of the issued Ordinary share capital of the Company as at 1 June 2010.

The Directors do not currently have any intention to allot shares, with the exception of the Dividend Reinvestment Scheme and reissuing treasury shares where it is in the Company's interest to do so. The Company currently holds 2,252,955 Ordinary treasury shares representing 9.9 per cent. of the total Ordinary share capital in issue as at 31 March 2010 and 1 June 2010.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2009. The authority sought at the Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

## Disapplication of pre-emption rights

Special resolution number 8, will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. The authority relates to a maximum aggregate of £1,141,854 of the nominal value of the share capital representing 10 per cent. of the issued share capital of the Company as at the date of this report.

The authority sought at the Annual General Meeting will expire 18 months from the date this resolution is passed or

at the conclusion of the next Annual General Meeting of the Company, whichever is earlier. Members will note that this resolution also applies to treasury shares.

## Purchase of own shares

Special resolution number 9 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital at or between, the minimum and maximum prices specified in resolution 9. 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 2009 authority, which was on similar terms. During the year, the Company purchased 350,720 Ordinary shares for cancellation at an aggregate consideration of £190,000 (including stamp duty) representing 1.54 per cent. of the issued Ordinary share capital as at 31 March 2010. During the year, the Company also cancelled 70,000 shares previously held in treasury.

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

## Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by resolution number 9, as a special resolution, is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit Directors to sell treasury shares at a price not less than that at which they were purchased.

## Reduction of share capital

Special resolutions number 10 and 11 are part of 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 its capital redemption reserve, subject to shareholder approval and confirmation by the Court.

It is the Board's policy to pay regular and predictable dividends to shareholders as the Directors believe that this is a key source of shareholder value. The Company also has a

## Directors' report and enhanced business review (continued)

policy of buying back its own shares for cancellation or for holding as treasury shares, when such purposes are considered to be to the advantage of the Company and shareholders as a whole. These shares are purchased at a discount to Net Asset Value which enhances the Company's Net Asset Value per share.

Under the Companies Act 2006 (the 'Act'), the Company is only permitted to pay dividends and to make buy backs from its accumulated distributable reserves. Therefore the Board believes that increasing the distributable reserves is in the interests of shareholders. Details of these reserves are shown on page 31 of this Annual Report and Financial Statements.

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

As stated in note 16 of the Company's Financial Statements, the Company's issued share capital as at 31 March 2010 was 22,837,088 Ordinary shares of 50 pence each, all of which had been issued as fully paid. No further Ordinary shares have been issued or bought back since that date. As at the date of this report, there are 22,837,088 Ordinary shares in issue. 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 £11,418,544 to £228,371.

The Company's capital redemption reserve was created as a result of previous buy backs of the Company's shares. As at 31 March 2010, the amount credited to Company's capital redemption reserve was £2,544,000.

It is anticipated that the Company will issue further shares and carry out further buy-backs of Ordinary Shares before the date of the final hearing (the "Final Hearing") of the Company's application to reduce its share capital and cancel its capital redemption reserve. The Company's issued share capital and amount credited to the capital redemption reserve will therefore be subject to changes after the Company's Annual General Meeting. Special resolutions numbers 10 and 11 provide for (i) the reduction in nominal value of any Ordinary Shares of 50 pence each which are in issue at the close of business on the day before the date of the Final Hearing and (ii) the cancellation of the amount credited to the Company's capital redemption reserve as at the close of business on the day before the date of the Final Hearing.

The Proposal is a means of increasing the Company's distributable reserves available for the payment of dividends, for share buy-backs and for other corporate purposes. Subject to any creditor protection demanded by the Court (see below), the proposed reduction of share capital and cancellation of its capital redemption reserve will create additional distributable reserves of approximately £13.7 million.

As there is nothing in the Company's Articles prohibiting it from doing so, the Company may reduce its share capital and cancel its capital redemption reserve by obtaining the approval of shareholders by special resolution. If the special resolution is approved by shareholders, the Company will apply to Court for a Court Order and this is expected to take place during July 2010. The Court may require the Company to protect the interests of the creditors of the Company and the Company can confirm that it will seek approval from all creditors to this proposal. The main creditors, namely the Manager, and Berwin Leighton Paisner have already given their consent to the Proposal.

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

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 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.

### Proposed change of name

Special resolution number 12 proposes that the name of the Company be changed to Albion Prime VCT PLC at the forthcoming Annual General Meeting. Since its launch in 1997, Albion Protected VCT PLC has consistently maintained a lower risk investment policy, first through investments in loans guaranteed by The Royal Bank of Scotland PLC, and subsequently, from 2002, through an asset-backed investment policy. This lower risk policy will continue. The Financial Services Authority, however, is discouraging the use of words such as "Protected" when naming funds, which is the reason why the Board is proposing a change of name.

**Shareholders who hold Ordinary shares in certificated form should note that new share certificates will not be issued following the**

# Directors' report and enhanced business review (continued)

## reduction in share capital and the change of name, and existing certificates will remain valid.

### Recommendation

Your Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of all the proposed resolutions as the Directors intend to do in respect of their own beneficial shareholdings of 57,752 shares.

### Statement of Directors' responsibilities

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

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

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

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

The Directors are responsible for 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 of the Company; and
- the Management report included within the Chairman's statement, Manager's report and Directors' report and enhanced business review, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names of all the Directors are stated on page 2.

### Disclosure of information to auditors

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

- so far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he/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 auditors are aware of that information.

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

By Order of the Board

### Albion Ventures LLP

Company Secretary

1 King's Arms Yard  
London, EC2R 7AF  
1 June 2010

# Statement of corporate governance

## Background

The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code") and updated in June 2006 and June 2008.

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

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

## Application of the Principles of the Code

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

## Board of Directors

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

Martin Bralsford is the Chairman and Senior Independent Director. It has been thought appropriate to combine the roles of Chairman and Senior Independent Director due to the small size of the board and Martin Bralsford's independence. Modwenna Rees-Mogg and Ebbe Dinesen are also considered independent Directors. Patrick Reeve is not considered to be an independent Director as he is the Managing Partner of Albion Ventures LLP, the Manager.

Martin Bralsford has been a Director of the Company for more than nine years. The Board does not consider that a Director's length of service reduces their ability to act independently of the Manager.

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this report, on page 8. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services supplied by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met four times during the year ended 31 March 2010 as part of its regular programme of Board meetings. All of the Directors attended each meeting. A sub-committee of the Board comprising Martin Bralsford and Patrick Reeve met twice during the year to allot shares under the Dividend Reinvestment Scheme.

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

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

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of Auditors;
- approval of the appropriate dividend to be paid to shareholders;



# Statement of corporate governance (continued)

- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the share price to net asset value;
- share buy-back and treasury share programme; and
- monitoring shareholder profile and considering shareholder communications.

## Committees' and Directors' performance evaluation

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

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

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

Directors' retirement and re-election is subject to the Articles of Association and the AIC Code on Corporate Governance. Martin Bralsford has been a Director for more than nine years, and in accordance with the AIC Code will retire and offer himself for re-election at the forthcoming Annual General Meeting, and annually thereafter. Patrick Reeve is not considered to be an independent Director and in accordance with the AIC Code, will retire and offer himself for re-election at the forthcoming Annual General Meeting.

In light of the structured performance evaluation, Martin Bralsford and Patrick Reeve, are considered to be effective and demonstrate strong commitment to the role, and the Board believes it to be in the best interest of the Company to appoint these Directors at the forthcoming Annual General Meeting.

## Remuneration committee

Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules 12.43A (a), 12.43A (b) and 12.43A (c) as they

relate to Combined Code Provisions B.1 to B.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

## Audit Committee

The Audit Committee consists of all Directors excluding Patrick Reeve. Ebbe Dinesen is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 March 2010; all members attended.

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

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

# Statement of corporate governance (continued)

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 Financial Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the partner in charge of Albion Ventures LLP internal audit at Littlejohn LLP;
- meeting with the external Auditors and reviewing their findings; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

## Nomination Committee

The Nomination Committee consists of all Directors, save Patrick Reeve, with Martin Bralsford 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 ended 31 March and will meet when it is appropriate to do so.

## Internal Control

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

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

into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to the Manager's and the Board's attention.

The Board has also 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 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, the Board has delegated the investment management and administration to Albion Ventures LLP; the Board feels that it is not necessary to have its own internal audit function. Instead, the Board had access to 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 reports formally to the Albion Protected 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 the "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" issued by the Financial Reporting Council, the Board has assessed the Company's operation as a going concern. The Company has adequate cash and liquid resources, its portfolio of investments is 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

# Statement of corporate governance (continued)

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 20. The Company's business activities, together with details of its performance are shown in the Directors' report and enhanced business review.

## Conflicts of interest

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

## Capital structure and Articles of Association

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on pages 15 and 20 of the Directors' report and enhanced business review. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

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

## Relationships with shareholders

The Company's Annual General Meeting on 28 June 2010 will be used as an opportunity to communicate with investors. The Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting.

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

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

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

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

Tel: 0871 664 0300

(calls cost 10p per minute plus network extras; lines are open 8.30 am – 5.30 pm, Mon-Fri)

E-mail: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

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

Tel: 020 7601 1850

(calls may be recorded; lines are open 9.00 am – 5.30 pm, Mon – Fri)

E-mail: [info@albion-ventures.co.uk](mailto:info@albion-ventures.co.uk)

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

## Statement of compliance

With the exception of the requirements to have a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 March 2010 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.

## Martin Bralsford

Chairman

1 June 2010

# Directors' remuneration report

## Introduction

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

## UNAUDITED INFORMATION

### Remuneration Committee

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

### Directors' remuneration policy

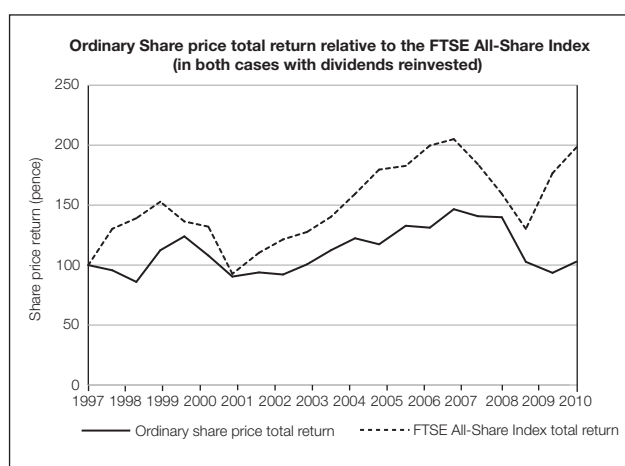
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £60,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders. No change in the level is expected in the near future.

### Performance graph

The graph that follows shows Albion Protected VCT PLC's share price total return against the FTSE All-Share Index 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:



Source: Albion Ventures LLP

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

## Service contracts

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

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. At the forthcoming Annual General Meeting Martin Bralsford 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:

	2010 Fees £'000	2009 Fees £'000
Marbral Limited (for Martin Bralsford's services)	15	15
Giles Pitman (resigned 31 December 2008)	–	11
Christopher Holdsworth-Hunt (resigned 31 December 2008)	–	11
Albion Ventures LLP (for Patrick Reeve's services)	15	15
Ebbe Dinesen (appointed 31 December 2008)	15	4
Modwenna Rees-Mogg (appointed 31 December 2008)	15	4
	<b>60</b>	<b>60</b>

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 Patrick Reeve whose services are provided by Albion Ventures LLP and Martin Bralsford whose services are provided by Marbral Limited.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £7,980 (2009: £7,997).

By Order of the Board

**Albion Ventures LLP**  
Company Secretary

1 King's Arms Yard  
London  
EC2R 7AF  
1 June 2010

# Independent Auditors' report to the members of Albion Protected VCT PLC

We have audited the Financial Statements of Albion Protected VCT PLC for the year ended 31 March 2010 which comprise the Income statement, the Balance sheet, the Reconciliation of movement in shareholders' funds, the Cash flow statement and the related notes. The financial 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

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 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

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.

## 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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report and enhanced business review for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Statement of corporate governance 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 25, in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

## Rosemary Clarke

(Senior statutory auditor)  
for and on behalf of PKF (UK) LLP,  
Statutory auditors  
London, UK  
1 June 2010

# Income statement

	Note	Year ended 31 March 2010			Year ended 31 March 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	–	(10)	(10)	–	(3,894)	(3,894)
Investment income	4	769	–	769	814	–	814
Investment management fees	5	(64)	(193)	(257)	(84)	(253)	(337)
Recovery of VAT	6	2	7	9	80	240	320
Other expenses	7	(188)	–	(188)	(196)	–	(196)
<b>Return/(loss) on ordinary activities before tax</b>		<b>519</b>	<b>(196)</b>	<b>323</b>	614	(3,907)	(3,293)
Tax (charge)/credit on ordinary activities	9	(46)	39	(7)	(111)	4	(107)
<b>Return/(loss) attributable to shareholders</b>		<b>473</b>	<b>(157)</b>	<b>316</b>	503	(3,903)	(3,400)
<b>Basic and diluted return/(loss) per share (pence)*</b>	11	<b>2.3</b>	<b>(0.8)</b>	<b>1.5</b>	2.4	(18.5)	(16.1)

\*excluding treasury shares

The accompanying notes on pages 33 to 46 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 2010 £'000	31 March 2009 £'000
<b>Fixed asset investments</b>			
Qualifying		<b>12,827</b>	13,766
Non-qualifying		<b>237</b>	195
<b>Total fixed asset investments</b>	12	<b>13,064</b>	13,961
<b>Current assets</b>			
Trade and other debtors	14	<b>46</b>	53
Cash at bank and in hand	18	<b>1,819</b>	1,264
		<b>1,865</b>	1,317
<b>Creditors: amounts falling due within one year</b>	15	<b>(153)</b>	(221)
<b>Net current assets</b>		<b>1,712</b>	1,096
<b>Net assets</b>		<b>14,776</b>	15,057
<b>Capital and reserves</b>			
Called up share capital	16	<b>11,419</b>	11,620
Share premium		-	1
Capital redemption reserve		<b>2,544</b>	2,334
Unrealised capital reserve		<b>(3,317)</b>	(4,173)
Special reserve		<b>8,327</b>	8,631
Treasury shares reserve		<b>(2,207)</b>	(2,276)
Realised capital reserve		<b>(2,297)</b>	(1,285)
Revenue reserve		<b>307</b>	205
<b>Total equity shareholders' funds</b>		<b>14,776</b>	15,057
<b>Basic and diluted net asset value per share (pence)*</b>	17	<b>71.8</b>	72.0

\*excluding treasury shares

The accompanying notes on pages 33 to 46 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 1 June 2010 and were signed on its behalf by

**Martin Bralsford**

Chairman

**Company number: 3265074**

## Reconciliation of movement in shareholders' funds

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
<b>As at 1 April 2009</b>	11,620	1	2,334	(4,173)	8,631	(2,276)	(1,285)	205	15,057
Net realised gains on investments in the year	–	–	–	–	–	–	169	–	169
Unrealised losses on investments in the year	–	–	–	(178)	–	–	–	–	(178)
Transfer of previously unrealised losses on sale of investments	–	–	–	1,034	–	–	(1,034)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(193)	–	(193)
Capitalised recoverable VAT	–	–	–	–	–	–	7	–	7
Tax on capitalised management fees	–	–	–	–	–	–	39	–	39
Purchase of own shares for cancellation	(175)	–	175	–	(190)	–	–	–	(190)
Cancellation of treasury shares	(35)	–	35	–	(69)	69	–	–	–
Issue of equity (net of costs)	9	(1)	–	–	–	–	–	–	8
Revenue return attributable to shareholders	–	–	–	–	–	–	–	473	473
Dividends paid	–	–	–	–	(45)	–	–	(371)	(416)
<b>As at 31 March 2010</b>	<b>11,419</b>	<b>–</b>	<b>2,544</b>	<b>(3,317)</b>	<b>8,327</b>	<b>(2,207)</b>	<b>(2,297)</b>	<b>307</b>	<b>14,776</b>

<b>As at 1 April 2008</b>	11,771	–	2,167	(1,416)	8,886	(2,345)	(139)	650	19,574
Net realised gains on investments in the year	–	–	–	–	–	–	11	–	11
Unrealised losses on investments in the year	–	–	–	(3,905)	–	–	–	–	(3,905)
Transfer of previously unrealised losses on sale of investments	–	–	–	1,148	–	–	(1,148)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(253)	–	(253)
Capitalised recoverable VAT	–	–	–	–	–	–	240	–	240
Tax on capitalised management fees	–	–	–	–	–	–	4	–	4
Purchase of own shares for cancellation	(167)	–	167	–	(186)	–	–	–	(186)
Cancellation of treasury shares	–	–	–	–	(69)	69	–	–	–
Issue of equity (net of costs)	16	1	–	–	–	–	–	–	17
Revenue return attributable to shareholders	–	–	–	–	–	–	–	503	503
Dividends paid	–	–	–	–	–	–	–	(948)	(948)
<b>As at 31 March 2009</b>	<b>11,620</b>	<b>1</b>	<b>2,334</b>	<b>(4,173)</b>	<b>8,631</b>	<b>(2,276)</b>	<b>(1,285)</b>	<b>205</b>	<b>15,057</b>

\*Included within these reserves is an amount of £813,000 (2009: £1,102,000) which is considered available for distribution. The Special reserve has been treated as available for distribution in determining the amounts available for distribution.



# Cash flow statement

		Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
	Note		
<b>Operating activities</b>			
Investment income received		666	850
Deposit interest received		24	51
Dividend income received		55	–
Investment management fees paid		(275)	(257)
Recovery of VAT		61	278
Other cash payments		(176)	(262)
<b>Net cash inflow from operating activities</b>	19	<u>355</u>	<u>660</u>
<b>Taxation</b>			
UK corporation tax (paid)/received		(85)	30
<b>Capital expenditure and financial investments</b>			
Purchase of fixed asset investments		(559)	(1,484)
Disposals of fixed asset investments		1,476	1,115
<b>Net cash inflow/(outflow) from investing activities</b>		<u>917</u>	<u>(369)</u>
<b>Equity dividends paid</b> (net of cost of shares issued under the dividend reinvestment scheme)	10	(404)	(921)
<b>Net cash inflow/(outflow) before financing</b>		<u>783</u>	<u>(600)</u>
<b>Financing</b>			
Purchase of own shares	16	(215)	(162)
Cost of issue of share capital		(13)	(9)
<b>Net cash outflow from financing</b>		<u>(228)</u>	<u>(171)</u>
<b>Cash inflow/(outflow) in the year</b>	18	<u>555</u>	<u>(771)</u>

# 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" issued by the Association of Investment Companies ("AIC SORP") in January 2009. Accounting policies have been applied consistently in current and prior periods.

## 2. Accounting policies

### Investments

#### *Quoted and unquoted equity investments*

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", quoted and unquoted equity investments are designated as fair value through profit or loss. Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the September 2009 International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines). The revised September 2009 IPEVCV guidelines have not had a material impact on the valuation of the portfolio.

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. Realised gains or losses on the sale of investments will be reflected in the realised capital reserve, and unrealised gains or losses arising from the revaluation of investments will be reflected in the unrealised capital reserve.

#### *Unquoted loan stock*

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

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

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

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

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

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

### Investment income

#### *Quoted and Unquoted equity income*

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

#### *Unquoted Loan stock income*

The fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using an 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 accruals basis using the rate of interest agreed with the bank.

### Investment management fees and other expenses

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

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

### Performance incentive fee

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

### Taxation

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

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

# Notes to the Financial Statements (continued)

## Reserves

### *Share premium reserve*

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

### *Capital redemption reserve*

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

### *Unrealised capital reserve*

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

### *Special reserve*

The cancellation of the share premium account has created a special reserve that can be used to fund market purchases and subsequent cancellation of the Company's own shares, to cover gross realised losses, to pay dividends 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 purchase 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. Losses on investments

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Unrealised gains/(losses) on fixed asset investments held at fair value through profit or loss account	56	(3,073)
Unrealised impairments on fixed asset investments held at amortised cost	(234)	(832)
<b>Unrealised losses on fixed asset investments</b>	<b>(178)</b>	<b>(3,905)</b>
Realised gains on investments held at fair value through profit or loss account	148	11
Realised gains on investments held at amortised cost	20	–
<b>Realised gains sub total</b>	<b>168</b>	<b>11</b>
<b>Total</b>	<b>(10)</b>	<b>(3,894)</b>

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

## 4. Investment income

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
<b>Income recognised on investments held at fair value through profit or loss</b>		
UK dividend income	55	20
Management fees received from equity investments	–	18
Bank deposit interest	25	46
	<b>80</b>	<b>84</b>
<b>Income recognised on investments held at amortised cost</b>		
Return on loan stock investments	689	730
	<b>769</b>	<b>814</b>

Interest income earned on impaired investments at 31 March 2010 amounted to £258,000 (2009: £133,000). These investments are all held at amortised cost.

## 5. Investment management fees

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Investment management fee charged to revenue	64	84
Investment management fee charged to capital	193	253
	<b>257</b>	<b>337</b>

Further details of the management agreement under which the investment management fee is paid are given in the Directors' report and enhanced business review on page 19.

## Notes to the Financial Statements (continued)

### 6. Recovery of Value Added Tax

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

The Manager, Albion Ventures LLP has made a claim for the historic VAT that Albion Protected VCT PLC has paid on management fees. A sum of £9,000 (2009: £320,000) has been recognised as a separate item in the Income statement, allocated between revenue and capital return in the same proportion as that at which the original VAT had been charged. An additional tax charge of £2,000 (2009: £89,000) is payable on this recovery of historic VAT and this is reflected within the total tax charge shown in the Income statement.

### 7. Other expenses

	<b>Year ended 31 March 2010 £'000</b>	Year ended 31 March 2009 £'000
Secretarial and administration fee	29	29
Directors' fees	65	65
Other	70	78
Auditor's remuneration: Audit fees	<u>24</u>	<u>24</u>
	<b><u>188</u></b>	<b><u>196</u></b>

### 8. Directors' fees

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

	<b>Year ended 31 March 2010 £'000</b>	Year ended 31 March 2009 £'000
Directors' fees	60	60
National Insurance and/or VAT	<u>5</u>	<u>5</u>
	<b><u>65</u></b>	<b><u>65</u></b>

Further information regarding Directors' remuneration can be found in the Directors' remuneration report on page 27.

# Notes to the Financial Statements (continued)

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

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	98	(39)	59	152	(4)	148
UK corporation tax in respect of prior periods	(52)	-	(52)	(41)	-	(41)
<b>Total</b>	<b>46</b>	<b>(39)</b>	<b>7</b>	<b>111</b>	<b>(4)</b>	<b>107</b>

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 21 per cent. (2009: standard rate, 28 per cent.). The differences are explained below:

### Factors affecting the tax charge:

	Year ended 31 March 2010 Total £'000	Year ended 31 March 2009 Total £'000
Profit/(loss) on ordinary activities before taxation	323	(3,293)
Tax on profit at the standard rate	68	(921)
Factors affecting the charge:		
Adjustment in respect of prior years	-	21
Consortium relief in respect of prior years	(52)	(62)
Non-taxable losses	3	1,090
Non-taxable income	(12)	(6)
Marginal relief	-	(15)
	<b>7</b>	<b>107</b>

### 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 the revenue and capital in accordance with the SORP.
- (iii) No deferred tax asset or liability has arisen in the year.

## 10. Dividends

	Year ended 31 March 2010 Total £'000	Year ended 31 March 2009 Total £'000
First dividend paid on 22 August 2008 – 2.5 pence per share	-	529
Second dividend paid on 9 January 2009 – 2.0 pence per share	-	419
First dividend paid on 7 August 2009 – 1 penny per share	209	-
Second dividend paid on 6 January 2010 – 1 penny per share	207	-
	<b>416</b>	<b>948</b>

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2011 of 1.5 pence per share, to be paid from profits. This dividend will be paid on 9 July 2010 to shareholders on the register as at 11 June 2010. The total dividend will be approximately £309,000.

# Notes to the Financial Statements (continued)

## 11. Basic and diluted return/(loss) per share

The return per share has been based on the following figures:

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue	Capital	Total	Revenue	Capital	Total
Return/(loss) attributable to equity shares (£'000)	473	(157)	316	503	(3,903)	(3,400)
Weighted average shares (excluding treasury shares)	20,784,142	20,784,142	20,784,142	21,052,104	21,052,104	21,052,104
Return/(loss) per share (pence)	2.3	(0.8)	1.5	2.4	(18.5)	(16.1)

The weighted average number of shares is calculated excluding treasury shares of 2,252,955 (2009: 2,322,955).

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

## 12. Fixed asset investments

	31 March 2010 £'000	31 March 2009 £'000
Qualifying unquoted investments	12,620	13,044
Qualifying AIM investments	207	722
Non-qualifying investments	237	195
<b>Total</b>	<b>13,064</b>	<b>13,961</b>

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

	31 March 2010 £'000	31 March 2009 £'000
Unquoted equity	3,025	3,384
Unquoted preference shares	237	194
Quoted equity	207	722
Unquoted loan stock	9,595	9,661
<b>Total</b>	<b>13,064</b>	<b>13,961</b>

# Notes to the Financial Statements (continued)

## 12. Fixed asset investments (continued)

	Qualifying unquoted investments £'000	Qualifying AIM investments £'000	Non-qualifying investments £'000	Total £'000
<b>Opening valuation as at 1 April 2009</b>	13,044	722	195	13,961
Purchases at cost	603	–	–	603
Disposal proceeds	(720)	(756)	–	(1,476)
Realised gains	20	148	–	168
Movement in loan stock accrued income	(14)	–	–	(14)
Unrealised (losses)/gains	(313)	93	42	(178)
<b>Closing valuation as at 31 March 2010</b>	<b>12,620</b>	<b>207</b>	<b>237</b>	<b>13,064</b>
<b>Movement in loan stock accrued income</b>				
Opening accumulated movement in loan stock accrued income	129	–	–	129
Movement in loan stock accrued income	(14)	–	–	(14)
<b>Closing accumulated movement in loan stock accrued income</b>	<b>115</b>	<b>–</b>	<b>–</b>	<b>115</b>
<b>Movement in unrealised losses</b>				
Opening accumulated unrealised (losses)/ gains	(2,848)	(1,329)	9	(4,168)
Transfer of previously unrealised losses to realised reserve on disposal of investments	78	865	91	1,034
Movement in unrealised (losses)/gains	(313)	93	42	(178)
<b>Closing accumulated unrealised (losses)/gains</b>	<b>(3,083)</b>	<b>(371)</b>	<b>142</b>	<b>(3,312)</b>
<b>Historic cost basis</b>				
Opening book cost	15,763	2,051	186	18,000
Purchases at cost	603	–	–	603
Sales at cost	(778)	(1,473)	(91)	(2,342)
<b>Closing book cost</b>	<b>15,588</b>	<b>578</b>	<b>95</b>	<b>16,261</b>

Fixed asset investments held at fair value through the profit or loss account total £3,469,000 (2009: £4,300,000). Investments held at amortised cost total £9,595,000 (2009: £9,661,000).

Additions of £559,000 included in the Cash flow statement differ from the additions of £603,000 shown in the note above, due to an investment settlement debtor of £20,000 in respect of Bravo Inns II Limited and loan stock interest of £24,000 from Kensington Health Clubs Limited that was capitalised during the year.

Youngs VCT Limited repaid its equity investment of £450,000 at par during the year. There were no realised gains or losses on disposal of this investment. Total proceeds from the AIM portfolio totalled £756,000 during the year and partial loan stock repayments from the unquoted investments totalled £270,000, resulting in total proceeds identified above of £1,476,000.

In September 2009, Albion Protected VCT PLC exchanged its investments in Welland Inns VCT Limited, Welland Inns VCT (Hotels) Limited, Pelican Inn Limited, Novello Pub Limited and The Charnwood Pub Company (Hotels) Limited for investments in The Charnwood Pub Company Limited. This reorganisation resulted in the pubs being managed by a single management team.

### Fixed asset investment class valuation methodologies

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

Unquoted loan stock investments are valued on an amortised cost basis.

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

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



# Notes to the Financial Statements (continued)

## 12. Fixed asset investments (continued)

### Fixed asset investment class valuation methodologies (continued)

The amended FRS 29 'Financial Instruments: Disclosures' requires the Company to disclose the valuation methods applied to its investments measured at fair value through profit or loss in a fair value hierarchy according to the following definitions:

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

The Company's investments are categorised in accordance with FRS 29 as follows:

	31 March 2010			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at fair value through profit or loss:				
Quoted equity	207	-	-	207
Unquoted equity and preference shares	-	-	3,262	3,262
	<u>207</u>	<u>-</u>	<u>3,262</u>	<u>3,469</u>

The Company's unquoted equity and preference share investments valued at fair value through profit or loss (level 3) had the following movements in the year to 31 March 2010:

	£'000
Opening balance as at 1 April 2009	3,578
Additions	169
Disposals	(483)
Unrealised losses on equity investments	(2)
Closing balance as at 31 March 2010	<u>3,262</u>

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

Valuation methodology	31 March 2010 £'000	31 March 2009 £'000
	Cost (reviewed for impairment)	170
Net asset value supported by third party valuation	3,092	3,045
	<u>3,262</u>	<u>3,578</u>

There have been no changes in valuation methodologies applied to unquoted equity investments since the previous year.

The valuation method used will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 March 2010.

FRS 29 requires Directors to consider the impacts of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. After due consideration and noting that the valuation methodology applied to 95 per cent. of the equity investments (by valuation) is based on cash or third party market information, the Directors do not believe that changes to reasonable possible alternative assumptions for the valuation of the portfolio as a whole would lead to a significant change in the fair value of the portfolio.

# Notes to the Financial Statements (continued)

## 13. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the investee company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the investee companies as at 31 March 2010 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
City Screen (Liverpool) Limited	Great Britain	Art house cinema	22.7% Ordinary	22.7%
Wickenhall Mill VCT Limited	Great Britain	Residential property developer	27.3% A Ordinary	27.3%

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

## 14. Current assets include the following:

	31 March 2010 £'000	31 March 2009 £'000
<b>Debtors</b>		
Prepayments and accrued income	3	–
Corporation tax debtor	43	–
VAT recoverable	–	52
Other debtors	–	1
	<u>46</u>	<u>53</u>

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

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Trade creditors	5	–
UK corporation tax payable	–	35
Accruals and deferred income	123	158
Other creditors	25	28
	<u>153</u>	<u>221</u>

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

## 16. Called up share capital

	31 March 2010 £'000	31 March 2009 £'000
<b>Authorised</b>		
50,000,000 Ordinary shares of 50p each (2009: 50,000,000)	<u>25,000</u>	<u>25,000</u>
<b>Allotted, called up and fully paid</b>		
22,837,088 Ordinary shares of 50p each (2009: 23,240,180)	<u>11,419</u>	<u>11,620</u>
<b>Shares in issue</b>		
20,584,133 Ordinary shares of 50p each in issue (net of treasury shares) (2009: 23,240,180)		

The Company purchased 350,720 Ordinary shares (2009: 265,267) for cancellation at a cost of £190,000 (2009: £186,000) representing 1.7 per cent. of the shares in issue (excluding treasury shares) as at 31 March 2010.

The Company cancelled 70,000 Ordinary shares from the Own treasury shares reserve, leaving a balance of 2,252,955 Ordinary shares in treasury which represents 9.9 per cent. of the Ordinary shares in issue as at 31 March 2010.

# Notes to the Financial Statements (continued)

## 16. Called up share capital (continued)

Under the terms of the Dividend Reinvestment Scheme circular issued on 11 July 2008, Ordinary shares were allotted during the year as follows:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Consideration received £'000	Issue price (pence per share)	Opening market price per share on allotment date (pence per share)
7 August 2009	9,357	5	7	71.0	46.0
6 January 2010	8,271	4	6	69.7	59.0

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

	31 March 2010	31 March 2009
Net asset value per share attributable (pence per share)	71.8	72.0

The net asset value per share at the year end is calculated in accordance with the Articles of Association and is based upon total shares in issue of 22,837,088 (2009: 23,240,180) less the treasury shares of 2,252,955 (2009: 2,322,955) as at 31 March 2010.

There are no convertible instruments, derivatives or contingent share agreements in issue. 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 a 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.

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Opening cash balances	1,264	2,035
Net cash inflow/(outflow)	555	(771)
<b>Closing cash balances</b>	<b>1,819</b>	<b>1,264</b>

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Revenue return on ordinary activities before taxation	519	614
Investment management fee charged to capital	(193)	(253)
Recovery of VAT charged to capital	7	240
Movement in accrued amortised loan stock interest	(14)	100
Decrease/(increase) in debtors	50	(48)
(Decrease)/increase in creditors	(14)	7
<b>Net cash inflow from operating activities</b>	<b>355</b>	<b>660</b>

# Notes to the Financial Statements (continued)

## 20. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 16. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 5 of the Chairman's statement.

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

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

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

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

### Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted and quoted investments, details of which are shown on pages 10 to 11. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the investee company and the dynamics of market quoted comparators. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the balance sheet date is the value of the fixed asset investment portfolio which is £13,064,000 (2009: £13,961,000). Fixed asset investments form 88 per cent. of the net asset value as at 31 March 2010 (2009: 93 per cent).

More details regarding the classification of fixed asset investments are shown in note 12.

### Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of investments section on pages 10 to 11 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 IPEVCV Guidelines.

As required under FRS 29 "Financial Instruments: Disclosures", the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed 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 asset investments (keeping all other variables constant) would increase or decrease the net asset value and return for the year of Ordinary shares by £1,306,000 (2009: £1,396,000).

### 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 considered that further falls in interest rates would not have a significant impact.

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 6.6 per cent. (2009: 7.0 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 3.0 years (2009: 2.1 years).

# Notes to the Financial Statements (continued)

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

### Cash flow interest rate risk (continued)

The Company's financial assets and liabilities as at 31 March 2010, all denominated in pounds sterling, consist of the following:

	31 March 2010				31 March 2009			
	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	-	-	3,262	3,262	-	-	3,578	3,578
Quoted equity	-	-	207	207	-	-	722	722
Unquoted loan stock	9,595	-	-	9,595	9,661	-	-	9,661
Debtors	-	-	46	46	-	-	53	53
Current liabilities	-	-	(153)	(153)	-	-	(221)	(221)
Cash	1,506	313	-	1,819	-	1,264	-	1,264
<b>Total net assets</b>	<b>11,101</b>	<b>313</b>	<b>3,362</b>	<b>14,776</b>	<b>9,661</b>	<b>1,264</b>	<b>4,132</b>	<b>15,057</b>

### Credit risk

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

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

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 2010 is limited to £9,595,000 (2009: £9,661,000) of unquoted loan stock instruments, £1,819,000 (2009: £1,264,000) cash deposits with banks and £46,000 debtors (2009: £53,000).

The cost, impairment and carrying value of impaired loan stocks held at amortised cost at 31 March 2010 and 31 March 2009 are as follows:

	31 March 2010			31 March 2009		
	Cost £'000	Impairment £'000	Carrying value £'000	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	5,059	(1,010)	4,049	5,003	(824)	4,179

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

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 and Standard Life Bank plc. Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to regulatory supervision, with Moody's credit ratings of at least A or equivalent as assigned by international credit-rating agencies.

The 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.

### Liquidity risk

Liquid assets are held as cash on current deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited Balance sheet, which amounts to £1,478,000 (2009: £1,506,000) as at 31 March 2010.

## Notes to the Financial Statements (continued)

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

#### Liquidity risk (continued)

The Company has no committed borrowing facilities as at 31 March 2010 (2009: £nil) and cash balances of £1,819,000 (2009: £1,264,000). The main cash outflows are for new investments, 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 £153,000 (2009: £221,000) at 31 March 2010.

The carrying value of loan stock investments held at amortised cost at 31 March 2010 is analysed by expected maturity date as follows:

Redemption date	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due loan stock* £'000	Impaired loan stock £'000	Total £'000
Less than one year	–	–	–	271	271
1-2 years	948	–	240	1,437	2,625
2-3 years	1,453	–	521	184	2,158
3-5 years	1,671	–	713	2,157	4,541
<b>Total</b>	<b>4,072</b>	<b>–</b>	<b>1,474</b>	<b>4,049</b>	<b>9,595</b>

\*investments shown as past due are fully performing in terms of interest payments.

The carrying value of loan stock investments held at amortised cost at 31 March 2009 is analysed by the expected maturity date as follows:

Redemption date	Fully performing loan stock £'000	Renegotiated loan stock £'000	Past due loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	176	1,222	–	137	1,535
1-2 years	487	734	–	1,478	2,699
2-3 years	44	1,304	–	1,905	3,253
3-5 years	104	1,411	–	659	2,174
<b>Total</b>	<b>811</b>	<b>4,671</b>	<b>–</b>	<b>4,179</b>	<b>9,661</b>

There was no overdue loan stock as at 31 March 2010 which had not been renegotiated (2009: no overdue loan stock).

All loan stock investments disclosed above as renegotiated and impaired would otherwise have been classified as past due.

In view of the information shown, 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 2010 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, which are carried at amortised cost, in accordance with FRS 26. The Directors believe that the current carrying value of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

### 21. Post balance sheet events

Since 31 March 2010 the Company has had the following post balance sheet events:

- April 2010: Investment of £73,000 in The Stanwell Hotel Limited
- April 2010: Repayment of £40,000 of loan stock by Kew Green VCT (Stansted) Limited

# Notes to the Financial Statements (continued)

## **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 the Managing Partner of the Manager. The Manager is party to a management agreement from the Company (details disclosed on page 19 of this report). During the year, services of a total value of £257,000 (2009: £337,000) were purchased by the Company from Albion Ventures LLP in relation to management fees and £29,000 (2009: £29,000) purchased in relation to company secretarial and administration services. At the financial year end, the amount due to Albion Ventures LLP disclosed as accruals and deferred income was £76,000 (2009: £94,000).

Albion Ventures LLP has reclaimed VAT from HMRC as described in note 6. A receipt of £9,000 has been recognised in the Income statement for the year in respect of related historic management fees paid to Albion Ventures LLP.

During the year, the Company was charged by Albion Ventures LLP £15,000 (excluding VAT) in respect of Patrick Reeve's services as a Director (2009: £15,000). At the year end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals and deferred income was £4,000 (2009: £4,000).

Ebbe Dinesen was a Director of Welland Inns VCT Limited and Welland Inns VCT (Hotels) Limited, both companies in which Albion Protected VCT PLC was invested during the year, until his resignation on 22 September 2009. During the year, the Company invested £16,000 in Welland Inns VCT (Hotels) Limited and £15,000 in Welland Inns VCT Limited, and received interest of £1,496 from these investments. In September 2009, Albion Protected VCT PLC exchanged its holdings in these companies for investments in The Charnwood Pub Company Limited.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Albion Protected VCT PLC (the “Company”) will be held at 12 noon on 28 June 2010 at The Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, London, EC2M 4TH for the following purposes:

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

## Ordinary Business

1. To receive and adopt the Company’s accounts and the report of the Directors and Auditors for the year ended 31 March 2010.
2. To re-appoint PKF (UK) LLP as Auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid.
3. To authorise the Directors to agree the Auditors’ remuneration.
4. To approve the Directors’ remuneration report for the year ended 31 March 2010.
5. To re-elect Martin Bralsford as a Director of the Company.
6. To re-elect Patrick Reeve as a Director of the Company.

## Special Business

7. That, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) to allot shares in the Company up to a maximum aggregate nominal amount of £1,141,854 for Ordinary shares, such authority shall expire 18 months from the date of this resolution, or at the conclusion of the next Annual General Meeting, whichever is earlier but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted after the expiry of such period and the Directors may allot shares pursuant to such an offer or agreement as if the authority had not expired.
8. That, subject to and conditional on the passing of resolution number 7, 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 7 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (a) in connection with an offer of such securities by way of rights issue;
  - (b) in connection with any Dividend Reinvestment Scheme introduced and operated by the Company; and
  - (c) otherwise than pursuant to paragraphs (a) and (b) above, up to an aggregate nominal amount of £1,141,854 for Ordinary Shares.

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

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

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of the resolution the words “subject and conditional on the passing of resolution number 7” were omitted.



# Notice of Annual General Meeting (continued)

9. 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 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 number of shares hereby authorised to be purchased is 3,423,279 Ordinary Shares, an amount equal to 14.99 per cent. of the shares in issue as at 1 June 2010;
  - (b) the minimum price exclusive of any expenses which may be paid for an Ordinary Share is 50p;
  - (c) the maximum price exclusive of any expenses that may be paid for each Ordinary Share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations as derived from the London Stock Exchange Daily Official List for a share over the five business days immediately preceding the date on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulations 2003;
  - (d) this authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution, whichever is earlier; and
  - (e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, 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 9 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit the Directors to sell treasury shares at a price not less than that at which they were purchased;

10. That:
- (a) the share capital of the Company be reduced by cancelling and extinguishing 49 pence of the amount paid up or credited as paid up on each of the Ordinary shares of 50 pence each in the capital of the Company which are in issue at 6.00 pm on the day before the date of the “Final Hearing” (as defined at page 21 of the Directors’ report and enhanced business review);
  - (b) the amount standing to the credit of capital redemption reserve of the Company at 6.00 pm on the day before the date of the “Final Hearing” (as defined at page 21 of the Directors’ report and enhanced business review) be cancelled; be and is hereby cancelled;
11. 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.
- 12 That the name of the Company be changed to Albion Prime VCT PLC.

BY ORDER OF THE BOARD

## **Albion Ventures LLP**

Company Secretary

Registered Office

1 King’s Arms Yard, London, EC2R 7AF

1 June 2010

Registered in England and Wales with number 3265074

# Notice of Annual General Meeting (continued)

## Notes

1. Members entitled to attend, speak and vote at the Annual General Meeting ("AGM") may appoint a proxy or proxies (who need not be a member of the Company) to exercise these rights in their place at the meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. Proxies may only be appointed by completing and returning the Form of Proxy enclosed with this Notice to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.

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 26 June 2010.

**In accordance with good governance practice, the Company is offering shareholders use of an online service, offered by the Company's registrar, Capita Registrars, at [www.capitashareportal.com](http://www.capitashareportal.com). Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 12 noon on 26 June 2010 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders will need to use the unique personal identification Investor Code that is printed in their Form of Proxy. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.**

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 26 June 2010 (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. 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.
5. 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 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.
6. 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 sections 527 or 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.
7. 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](http://www.albion-ventures.co.uk), Our Funds, Albion Protected VCT PLC.
8. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
9. As at 1 June 2010 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 22,837,088 Ordinary shares. The Company holds 2,252,955 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 1 June 2010 are 20,584,133.



