

Albion Prime VCT PLC

ALBION VENTURES

Contents

Page

2	Company information
3	Investment objectives and financial calendar
4	Financial highlights
5	Chairman's statement
6	Manager's report
7	The Board of Directors
8	The Manager
9	Portfolio of investments
11	Portfolio companies
13	Directors' report
21	Statement of corporate governance
25	Directors' remuneration report
26	Independent auditor's report
27	Income statement
28	Balance sheet
29	Reconciliation of movements in shareholders' funds
30	Cash flow statement
31	Notes to the Financial Statements
44	Notice of Annual General Meeting

Company information

Company number	03265074
Directors	D M Bralsford, Chairman MSc FCA FCT E Dinesen R (Danish) FSR M V H Rees-Mogg MA P H Reeve MA ACA
Manager, company secretary and registered office	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP

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

Shareholder information

For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:
Tel: 0870 873 5855 (UK national rate call, lines are open 8.30 am – 5.30 pm; Mon-Fri, calls may be recorded)
Website: www.computershare.co.uk

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

IFA information

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

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

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

Investment objectives

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

The Company’s investment strategy is to reduce the risk, normally associated with investments in smaller, unquoted companies. This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- Albion Prime VCT PLC invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the investee company. Funds managed or advised by Albion Ventures LLP typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Albion Ventures LLP, investee companies do not normally have external borrowings.

The Company offers tax-paying investors substantial tax benefits at the time of investment, on payment of dividends and on the ultimate disposal of the investment.

Financial calendar

Record date for first dividend	3 August 2012
Payment of first dividend	31 August 2012
Annual General Meeting	17 September 2012
Announcement of half-yearly results for the six months ended 30 September 2012	November 2012
Payment of second dividend (subject to Board approval)	February 2013

Financial highlights

68.0p

Net asset value per share as at 31 March 2012

1.5p

The Board declares a first tax-free dividend of 1.5 pence per share for the year to 31 March 2013

3.2p

Average tax-free annual dividend since launch

	Year ended 31 March 2012* (pence per share)	Year ended 31 March 2011 (pence per share)
Dividends paid	3.0	3.0
Revenue return	1.8	2.0
Capital loss	(1.7)	(0.6)
Net asset value	68.0	70.5

*More detail can be found in the Income statement and Balance sheet on pages 27 and 28.

Total shareholder net asset value return to 31 March 2012:

Total dividends paid during the period ended 31 March 1998	1.10
31 March 1999 ⁽ⁱ⁾	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
31 March 2011	3.00
31 March 2012	3.00
	<hr/>
Total dividends paid to 31 March 2012	47.45
Net asset value as at 31 March 2012	68.00
	<hr/>
Total shareholder net asset value return to 31 March 2012	115.45

In addition to the above dividends paid, the Directors have declared a first dividend for the year ending 31 March 2013 of 1.5 pence per Ordinary share, payable on 31 August 2012 to shareholders on the register as at 3 August 2012.

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 results for the year to 31 March 2012 show a total return of 0.1 pence per share before dividends, compared to 1.4 pence per share for the previous year. The lower return reflects the weaker trading within our hotel portfolio. The Company raised approximately £1.0m under the Albion VCTs Linked Top Up Offer 2011/2012 and has recently announced a proposal to merge with Albion Venture Capital Trust PLC (see below).

Investment performance and progress

As stated last year, it is the Company's intention to reduce its exposure to the hotel sector, which we now see as being more vulnerable to the current broader economic uncertainties, than many other sectors. With this aim in mind, the Company sold The Place Sandwich VCT Limited, realising proceeds of £975,000 compared to the holding value at 31 March 2011 of £819,000 and cost of £898,000. In addition to the sale proceeds, the Company received £416,000 in interest over the course of the investment, producing a total return of approximately 1.6 times cost. As a result the hotel portfolio reduced to 42 per cent. from 52 per cent. of the total portfolio value. In addition, £346,000 was returned by other investee companies, principally through the repayment of loan stock.

During the year the Company invested £1.5m in two new and eight existing investee companies. The great majority of the investment was in the healthcare and environmental sectors, with £657,000 invested in scheduled follow-on investments in Oakland Care Centre, which opened its care home for the elderly in Chingford in October 2011; Nelson House Hospital, which has recently opened a psychiatric hospital in Gosport, Hampshire; and in Orchard Portman Hospital which opened a psychiatric hospital near Taunton in Somerset in May 2011. A further £732,000 was invested in renewable energy companies, principally in wind and solar projects.

Following third party professional valuations, the Company saw a pleasing uplift in the value of its cinema investments following strong trading; in Oakland Care Centre; and in Radnor House School in Twickenham which successfully opened in September 2011 with twice the budgeted level of pupils. These were tempered by downward valuations of The Stanwell Hotel, which has taken longer to establish itself than anticipated; Kew Green VCT (Stansted) and The Crown Hotel, Harrogate, both of which were less profitable than the previous period. The net movement in valuations, including realised movements, was a decrease of £0.2m.

Merger with Albion Venture Capital Trust PLC

In May 2012, your Company announced the proposed merger with Albion Venture Capital Trust PLC which had net assets of £28.4m at 31 March 2012, has the same investment policy and a near identical investment portfolio. It is intended, subject to the consent of both VCTs' shareholders, that this will take effect in September 2012. One of the benefits of this will be considerable cost efficiencies. A circular and prospectus in relation to the merger is expected to be posted to shareholders at the same time as the Annual Report.

Results and dividends

As at 31 March 2012, the net asset value was £14.7m or 68.0 pence per share, compared to £14.9m or 70.5 pence per share as at 31 March 2011, after the payment of tax-free dividends of 3.0 pence per share. The results comprised a 1.8 pence per share revenue return (2011: 2.0 pence per share return) offset by a 1.7 pence per share capital loss (2011: 0.6 pence per share loss). The revenue return before taxation was £479,000 compared to £427,000 for the year to 31 March 2011, though the tax charge was higher than the previous year. The Company will pay a first dividend of 1.5 pence per share on 31 August 2012 to those shareholders on the share register on 3 August 2012, which is in line with the Company's current objective of paying dividends of 3.0 pence per share annually.

Risks and uncertainties

The outlook for the UK economy continues to be the key risk affecting your Company, with both the UK and much of Europe returning to recession. Importantly, however, your Company remains conservatively financed with no bank borrowings having a prior charge at either corporate or investee company level. This is in addition to the policy of ensuring that the Company has a first charge over investee companies' assets.

Share buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in existing and new investee companies and for the continued payment of dividends to shareholders. Thereafter, it is still 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. The Board will limit the sum available for share buy-backs for the six month period to 30 September 2012 to £250,000 in line with the amount allocated and utilised for the previous six months. Subject to the constraints referred to above and subject to first purchasing shares held by the marketmakers, the Board will target such buy-backs to be in the region of a 10% to 15% discount to net asset value, so far as market conditions and liquidity permit.

Albion VCTs Linked Top Up Offers

During the year the Company issued 1,163,050 Ordinary shares at a net consideration of £815,000. Details are shown in note 15.

Outlook and prospects

The outlook for the UK economy remains uncertain but despite this, the majority of our portfolio companies continue to show growth. In the meantime, we are now concentrating our investment activities in sectors that we see as being of long term value; in the current investment climate, where there is a general shortage of finance, we are seeing interesting investment opportunities at attractive prices. The proposed merger with Albion Venture Capital Trust PLC, if approved, will provide greater resources to take advantage of these and in due course enable a greater spread of investments.

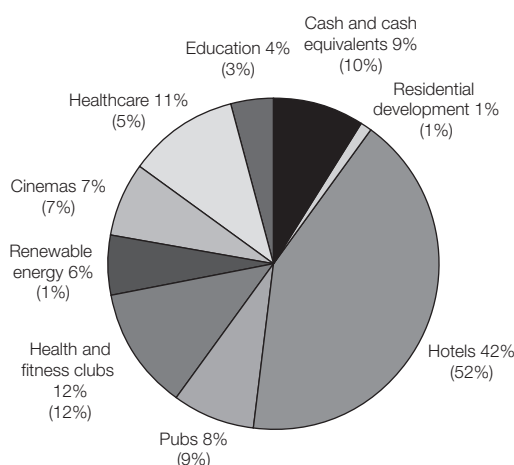
Martin Bralsford

Chairman
28 June 2012

Manager's report

Investment portfolio

Over the year, we have made progress in re-balancing the Company's investment portfolio by increasing the weighting in the healthcare and renewable energy sectors, which we believe to have less exposure to the consumer and business cycle, and reducing the weighting in hotels. The sector split of the portfolio by valuation as at 31 March 2012 is shown below (2011 in brackets):



Source: Albion Ventures LLP

Investment activity

During the year the Company sold its investment in The Place Sandwich VCT, which owned the Bell Hotel in Sandwich, realising proceeds of £975,000 compared to the holding value at 31 March 2011 of £819,000 and cost of £898,000. Including interest of £416,000 over the course of the investment, the total return was approximately 1.6 times cost. In addition, £182,000 of loan stock was repaid by Kew Green VCT (Stansted). This has led to hotels falling to 42 per cent. of the Company's portfolio at 31 March 2012 (2011: 52 per cent.).

A total of £657,000 was invested in three healthcare companies during the year. These comprised £494,000 as a scheduled follow-on investment in Oakland Care Centre, which opened a 46 bedroom care home for the elderly in Chingford in October 2011; £132,000 in Nelson House Hospital, which opened a psychiatric hospital in Gosport, Hampshire in April 2012; and £31,000 in Orchard Portman Hospital, which opened a psychiatric hospital near Taunton, Somerset in May 2011. The occupancies of all three units are building up steadily.

In the renewable energy sector, £732,000 was invested in six companies. These comprised £238,000 in Alto Prodotto Wind, which is erecting single unit wind turbines on industrial sites in Wales; £220,000 in The Street by Street Solar Programme which has been installing photovoltaic panels on residential buildings in the Thames Valley; £166,000 in Regenerco Renewable Energy which has been installing photovoltaic panels on a number of commercial buildings on the South Coast and in Birmingham and domestic buildings

in Cambridgeshire; £60,000 in AVESI; and £45,000 in Greenenerco. These last two are also to fund wind projects on industrial and brownfield sites. Finally, an additional £3,000 was invested in TEG Biogas (Perth) whose anaerobic digestion plant in Scotland, converting food waste to energy, is now operational.

Portfolio review

In the hotel portfolio, revenue at the Holiday Inn Express at Stansted Airport marginally increased over the year, but profits were lower and the independent valuation reduced. The Crown Hotel in Harrogate also experienced lower profitability and a decrease in valuation, but prospects for the current year are more encouraging. The Stanwell Hotel, in the village of Stanwell near Heathrow's Terminal 5, continued to disappoint. The valuation of the Stanwell Hotel was sharply lower, leading to a decision to change our operating partner. Meanwhile the Bear Hotel in Hungerford saw its valuation remain steady.

The cinema portfolio had another good year, leading to a further uplift in valuations, especially the Greenwich Picturehouse which repaid £15,000 loan stock, while CS (Brixton) retained cash for refurbishment. The Picturehouse at FACT in Liverpool, the Exeter Picturehouse and Cinema City in Norwich also saw strong increases in profitability.

In the health and fitness portfolio, the 37° health and fitness club near Tower Bridge continued to experience strong trading and repaid £19,000 loan stock to the Company and independent valuations of it and the Weybridge Club led to a small increase in the Company's holding values. The 37° health and fitness club in Kensington meanwhile saw a slight decline in valuation. All these clubs, however, continue to experience growth in membership.

In the pub portfolio, The Charnwood Pub Company, which operates food-led pubs in central England, repaid £96,000 loan stock; and GB Pub Company VCT sold one of its two remaining pubs and repaid £14,000. Trading grew in the wet-led Bravo Inns pubs in the North-West, leading to an increase in valuations, but a write down in the value of GB's remaining pub and a small decline in Charnwood's portfolio, led to the portfolio as a whole remaining stable.

One of the highlights of the year was the successful opening of Radnor House School in Twickenham in September 2011 with twice the budgeted level of pupils. This led to a pleasing uplift in valuation. We were also delighted that it has recently been rated "outstanding" in an OFSTED inspection.

Albion Ventures LLP

Manager

28 June 2012

The Board of Directors

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

Martin Bralsford MSc, FCA, FCT, Chairman and Senior Independent Director (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) FSR, Chairman of the Audit Committee (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 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 be a business angel investor.

Patrick Reeve 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 Close Ventures Limited (now Albion Ventures LLP) 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 and Albion Enterprise VCT PLC, all managed by Albion Ventures LLP. He is also a director of UCL Business, the technology transfer arm of University College London.

The Manager

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

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

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

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

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

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

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

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

stage development capital fund. David joined Albion Ventures LLP (then Close Ventures Limited) in 2005 and became a partner in Albion Ventures LLP in 2009. He has a BSc in Economics from Warwick University.

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

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

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

Henry Stanford, MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group in 1992, becoming an assistant director in 1996. He moved to Albion Ventures LLP (then Close Ventures Limited) in 1998. Henry became a partner in Albion Ventures LLP in 2009, where he has focused principally on hotel, cinema and other leisure investments. He holds an MA degree in Classics from Oxford University.

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

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

Portfolio of investments

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

			As at 31 March 2012			As at 31 March 2011			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	
Fixed asset investments	% voting rights	% voting rights of AVL* managed companies							
Hotels									
Kew Green VCT (Stansted) Limited	16.9	50.0	2,250	1,123	3,373	2,432	1,333	3,765	(210)
The Crown Hotel Harrogate Limited	8.4	50.0	1,674	(535)	1,139	1,674	(446)	1,228	(89)
The Stanwell Hotel Limited	14.6	50.0	2,075	(1,037)	1,038	1,973	(526)	1,447	(511)
The Bear Hungerford Limited	14.6	50.0	1,167	(428)	739	1,167	(428)	739	-
Total hotel investments			7,166	(877)	6,289	7,246	(67)	7,179	(810)
Health and fitness clubs									
The Weybridge Club Limited	6.0	50.0	980	(172)	808	980	(185)	795	13
Kensington Health Clubs Limited	4.5	50.0	1,124	(359)	765	1,124	(351)	773	(8)
Tower Bridge Health Clubs Limited	2.9	50.0	164	41	205	183	25	208	16
Total health and fitness club investments			2,268	(490)	1,778	2,287	(511)	1,776	21
Healthcare									
Oakland Care Centre Limited	10.5	50.0	915	228	1,143	421	9	430	219
Nelson House Hospital Limited	2.5	50.0	218	1	219	86	-	86	1
Orchard Portman Hospital Limited	2.4	50.0	160	(1)	159	129	(1)	128	-
Taunton Hospital Limited	1.6	50.0	100	1	101	100	1	101	-
Total healthcare investments			1,393	229	1,622	736	9	745	220
Pubs									
The Charnwood Pub Company Limited	6.0	50.0	1,979	(1,194)	785	2,075	(1,182)	893	(12)
Bravo Inns II Limited	1.7	50.0	210	1	211	210	(9)	201	10
Bravo Inns Limited	2.6	50.0	230	(85)	145	230	(95)	135	10
The Dunedin Pub Company VCT Limited	4.0	50.0	41	(1)	40	45	(1)	44	-
GB Pub Company VCT Limited	2.9	50.0	106	(94)	12	119	(78)	41	(16)
Total pub investments			2,566	(1,373)	1,193	2,679	(1,365)	1,314	(8)
Cinemas and other leisure									
CS (Greenwich) Limited	7.5	50.0	390	110	500	405	60	465	50
City Screen (Liverpool) Limited	22.7	50.0	277	(51)	226	277	(75)	202	24
CS (Brixton) Limited	3.0	50.0	126	96	222	126	59	185	37
Premier Leisure (Suffolk) Limited	5.3	50.0	390	(302)	88	390	(294)	96	(8)
CS (Exeter) Limited	3.0	50.0	49	(7)	42	49	(13)	36	6
CS (Norwich) Limited	1.3	50.0	20	5	25	20	1	21	4
Total cinemas and other leisure investments			1,252	(149)	1,103	1,267	(262)	1,005	113
Renewable energy									
The Street by Street Solar Programme Limited	2.7	50.0	269	2	271	49	-	49	2
Alto Prodotto Wind Limited	2.6	50.0	238	-	238	-	-	-	-
Regenerco Renewable Energy Limited	1.0	50.0	178	1	179	12	-	12	1
TEG Biogas (Perth) Limited	1.3	50.0	81	-	81	78	-	78	-
AVESI Limited	3.1	50.0	70	-	70	10	-	10	-
Greenenerco Limited	1.3	50.0	45	-	45	-	-	-	-
Total renewable energy investments			881	3	884	149	-	149	3

*Albion Ventures LLP

**As adjusted for additions and disposals during the year

The comparative cost and valuations for 31 March 2011 does not agree to the Annual Report and Financial Statements for the year ended 31 March 2011 due to adjustments to reflect disposals during the year.

Portfolio of investments (continued)

			As at 31 March 2012			As at 31 March 2011			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	
Fixed asset investments (continued)	% voting rights	% voting rights of AVL* managed companies							
Education									
Radnor House School (Holdings) Limited	2.5	50.0	437	132	569	437	14	451	118
Total education investments			437	132	569	437	14	451	118
Residential development									
Wickenhall Mill VCT Limited	27.3	50.0	547	(487)	60	547	(473)	74	(14)
Total residential development investments			547	(487)	60	547	(473)	74	(14)
Total fixed asset investments			16,510	(3,012)	13,498	15,348	(2,655)	12,693	(357)

*Albion Ventures LLP

**As adjusted for additions and disposals during the year


The comparative cost and valuations for 31 March 2011 does not agree to the Annual Report and Financial Statements for the year ended 31 March 2011 due to adjustments to reflect disposals during the year.


	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Realised gain/(loss) £'000	Gain on opening value £'000
Realisations in the year to 31 March 2012					
The Place Sandwich VCT Limited	898	819	975	77	156
Kew Green VCT (Stansted) Limited (<i>loan stock repaid</i>)	182	182	182	-	-
The Charnwood Pub Company Limited (<i>loan stock repaid</i>)	96	96	96	-	-
Tower Bridge Health Clubs Limited (<i>loan stock repaid</i>)	19	19	19	-	-
CS (Greenwich) Limited (<i>loan stock repaid</i>)	15	15	15	-	-
Radnor House School (Holdings) Limited (<i>redemption premium received</i>)	-	14	14	14	-
GB Pub Company VCT Limited (<i>loan stock repaid</i>)	14	14	14	-	-
The Dunedin Pub Company VCT Limited (<i>loan stock repaid</i>)	4	4	4	-	-
Chase Midland VCT Limited	4	2	2	(2)	-
Total realisations	1,232	1,165	1,321	89	156


Portfolio companies


The top ten 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.			
			Holiday Inn Express London Stansted Airport
		Website: www.expressstanstedairport.co.uk	
		Audited results:	Investment information
		year to 31 August 2011	
		£'000	£'000
Turnover	5,016	Income recognised in the year	165
EBITDA	1,553	Total cost	2,250
Profit before tax	705	Total equity valuation	2,005
Net assets	4,261	Total loan stock valuation	1,368
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	16.9 per cent.
Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this company is 50 per cent.			

Oakland Care Centre Limited			
Owns and operates a 46 bed freehold residential care facility in Chingford, Greater London, which opened in October 2011.			
			
		Website: www.bayfieldcourt.co.uk	
		Audited results:	Investment information
		year to 30 September 2011	
		£'000	£'000
Turnover	–	Income recognised in the year	36
EBITDA	(127)	Total cost	915
Loss before tax	(126)	Total equity valuation	483
Net assets	1,164	Total loan stock valuation	660
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	10.5 per cent.
Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this company is 50 per cent.			

The Crown Hotel Harrogate Limited			
The company acquired the historic 114 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.			
			
		Website: www.crownhotelharrogate.com	
		Audited results:	Investment information
		year to 31 March 2011	
		£'000	£'000
Turnover	2,697	Income recognised in the year	75
EBITDA	555	Total cost	1,674
Loss before tax	(795)	Total equity valuation	–
Net assets	6,141	Total loan stock valuation	1,139
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	8.4 per cent.
Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this 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 and remodel the hotel and it recommenced trading as The Stanwell with 52 bedrooms in May 2010.			
			
		Website: www.thestanwell.com	
		Audited results:	Investment information
		year to 31 August 2011	
		£'000	£'000
Turnover	1,032	Income recognised in the year	–
EBITDA	(41)	Total cost	2,075
Loss before tax	(2,790)	Total equity valuation	–
Net liabilities	(2,731)	Total loan stock valuation	1,038
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	14.6 per cent.
Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this company is 50 per cent.			

The Weybridge Club Limited			
The company bought a 30 acre freehold site near to the centre of Weybridge, Surrey, which it developed into a premium health and fitness club. The club opened in May 2007.			
			
		Website: www.theweybridgeclub.com	
		Audited results:	Investment information
		year to 30 September 2011	
		£'000	£'000
Turnover	1,969	Income recognised in the year	45
EBITDA	544	Total cost	980
Loss before tax	(839)	Total equity valuation	25
Net liabilities	(2,205)	Total loan stock valuation	783
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	6.0 per cent.
Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this 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 have had a refurbishment programme and have also received a strengthening of management.



Website: www.charnwoodpubco.co.uk

	Audited results: year to 30 September 2011 £'000	Investment information	£'000
Turnover	3,980	Income recognised in the year	43
EBITDA	419	Total cost	1,979
Loss before tax	(534)	Total equity valuation	-
Net liabilities	(1,142)	Total loan stock valuation	785
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	6.0 per cent.

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this 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.



Website: www.thirtysevendegrees.co.uk/olympia

	Audited results: year to 30 September 2011 £'000	Investment information	£'000
Turnover	2,073	Income recognised in the year	59
EBITDA	679	Total cost	1,124
Loss before tax	(817)	Total equity valuation	23
Net assets	322	Total loan stock valuation	742
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	4.5 per cent.

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this company is 50 per cent.

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.



Website: www.thebearhotelhungerford.co.uk

	Audited results: year to 31 March 2011 £'000	Investment information	£'000
Turnover	1,364	Income recognised in the year	57
EBITDA	245	Total cost	1,167
Loss before tax	(233)	Total equity valuation	-
Net liabilities	(1,735)	Total loan stock valuation	739
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	14.6 per cent.

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this company is 50 per cent.

Radnor House School (Holdings) Limited

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



Website: www.radnorhouse.org

	Audited results: year to 31 August 2011 £'000	Investment information	£'000
Turnover	29	Income recognised in the year	10
EBITDA	(1,426)	Total cost	437
Loss before tax	(1,645)	Total equity valuation	194
Net assets	638	Total loan stock valuation	375
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	2.5 per cent.

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this company is 50 per cent.

CS (Greenwich) Limited

This company operates the five screen Picturehouse cinema in Greenwich.



Website: www.picturehouses.co.uk

	Audited results: year to 31 December 2011 £'000	Investment information	£'000
Turnover	2,463	Income recognised in the year	38
EBITDA	570	Total cost	390
Profit before tax	322	Total equity valuation	231
Net assets	2,425	Total loan stock valuation	269
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	7.5 per cent.

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in this 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 Prime VCT PLC's accounts than in its own, where the investee company does not have a policy of revaluing its fixed assets.

Directors' report

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

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has 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 2012 is subject to review in the unlikely event 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 issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 15.

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

The Company's share capital comprises Ordinary shares. 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 under the 'Our Funds' section. During the year the Company issued 38,680 new Ordinary shares under the Dividend Reinvestment Scheme.

During the year the Company issued 414,039 new Ordinary shares as part of the Albion VCTs Linked Top Up Offer launched in November 2010. This offer closed on 16 May 2011.

On 1 November 2011, the Company announced the launch of the Albion VCTs Linked Top Up Offer 2011/2012. In aggregate, the Albion VCTs have raised £10.5 million across seven VCTs managed by Albion Ventures LLP, of which Albion Prime VCT PLC's share was approximately £1 million. During the year the Company issued a total of 749,011 new Ordinary shares under the Offer (details are shown in note 15). Since the year end, a total of 666,881 new Ordinary shares have been issued as part of this Offer (details are shown in note 21). The Offer closed on 31 May 2012.

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

Details of all share allotments can be found in note 15.

Substantial interests and shareholder profile

As at 31 March 2012 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 7.9 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 2012, and to the date of this report.

The table below shows the shareholder profile as at 27 June 2012 for the Company's Ordinary shares:

Number of shares held	% shareholders	% share capital
1 – 10,000	71.3	16.1
10,001 – 50,000	23.0	32.6
50,001 – 100,000	4.4	22.0
100,001 – 500,000	1.1	11.9
500,001 – 2,000,000	0.1	7.9
2,000,001 – 4,000,000*	0.1	9.5

*Treasury shares held by Albion Prime VCT PLC

Investment policy

The Company's investment strategy is to reduce the risk, normally associated with investments in smaller, unquoted companies. This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- Albion Prime VCT PLC invests alongside selected partners with proven experience in the sectors concerned;

Directors' report (continued)

- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the investee company. Funds managed or advised by Albion Ventures LLP typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Albion Ventures LLP, investee companies do not normally have external borrowings.

The Company offers tax-paying investors substantial tax benefits at the time of investment, on payment of dividends and on the ultimate disposal of the investment.

Venture Capital Trust status

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

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
- (3) At least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the period by holdings of 'eligible shares';
- (4) At no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by 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 all investments funded through cash raised after April 2010 must comprise at least 70% equity; 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 2012. The Company has complied with all tests and continues to do so.

'Qualifying holdings' for Albion Prime 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 shares and securities, insurance, banking and agriculture.

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, as currently proposed by HM Treasury, of £5 million in each company.

Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 March 2012, the Company's maximum exposure was £1,467,000 (2011: £1,491,000) and its actual short term and long term gearing at this date was £nil (2011: £nil). The Directors do not currently have any intention to utilise long term gearing.

Current portfolio sector allocation

The pie chart on page 6 of the Manager's report shows the split of the portfolio valuation by industrial or commercial sector as at 31 March 2012. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 9 and 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 6. 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.

Directors' report (continued)

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 18.

Results and dividends

The results for the year ended 31 March 2012 are as follows:

	£'000
Net revenue return for the year ended 31 March 2012	389
Revenue dividend paid on 31 August 2011	(321)
Revenue dividend paid on 29 February 2012	(317)
Unclaimed dividends returned to the Company	10
Transfer from special reserve during the year ended 31 March 2012	638
Transferred to revenue reserve	399
Realised and unrealised capital loss for the year transferred from reserves	(359)
Net assets as at 31 March 2012	14,671
Net assets per share as at 31 March 2012 (pence per share)	68.0

The Company paid dividends of 3.0 pence per share (2011: 3.0 pence per share) during the year ended 31 March 2012.

During the year, unclaimed dividends older than twelve years of £10,000 (2011: £nil) were returned to the Company in accordance with the terms of the Articles of Association.

As shown in the Company's Income statement on page 27, the total investment income has increased to £730,000 (2011: £705,000) due to increased income from loan stock investments. The revenue return to equity holders has fallen to £389,000 (2011: £410,000) due to a decrease in consortium relief claims compared with the year ended 31 March 2011.

The capital return for the year was a loss of £359,000 (2011: loss of £121,000) due to losses on investments and the capitalisation of management fees net of taxation.

The total return was a profit of 0.1 pence per share (2011: 1.4 pence per share).

The Balance sheet on page 28 shows that the net asset value has decreased from £14.9m to £14.7m as a result of

the payment of dividends partially offset by the proceeds of the issue of new shares. The net asset value per share has decreased over the last year to 68.0 pence per share (2011: 70.5 pence per share) due to the payment of dividends totalling 3.0 pence per share during the year, offset by the positive total return for the year. The total number of shares in issue at the year end has increased as a result of the movements shown in note 15.

Cash flow for the business has been negative for the year, reflecting the acquisition of investments, the payment of dividends and the purchase of own shares for cancellation, being offset in part by an inflow from operations, the issue of shares under the Albion Linked Top Up Offers, repayment of loan stock and the disposal of fixed asset investments.

Key Performance Indicators

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

The graph on page 25 shows Albion Prime 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 ongoing charges ratio for the year to 31 March 2012 was 3.0 per cent. (2011: 3.1 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 14.

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 and in note 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. *Economic risk*

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

To reduce this risk, in addition to investing equity in portfolio companies, the Company often invests in

Directors' report (continued)

secured loan stock and has a policy of not normally permitting any external bank borrowings within portfolio companies. Additionally, the Manager has been rebalancing the sector exposure of the portfolio with a view to reducing reliance on consumer led sectors.

2. *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 takes account of comments from all non-executive Directors of the Company on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings. It is the policy of the Company for portfolio companies to not normally have external bank borrowings.

3. *Valuation risk*

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

As described in note 2 of the Financial Statements, the unquoted equity investments, convertible loan stock and debt issued at a discount held by the Company are designated at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. These investments are valued on the basis of forward looking estimates and judgments about the business itself, its market and the

environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgments the valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. All other unquoted loan stock is measured at amortised cost.

4. *Venture Capital Trust approval risk*

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

To reduce this risk, the Board has appointed the Manager, who has 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 advisor. PricewaterhouseCoopers LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

5. *Compliance risk*

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

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

6. *Internal control risk*

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

Directors' report (continued)

The Audit Committee meets with the Manager's internal auditor, Littlejohn LLP, when required, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. Ebbe Dinesen, as Audit Committee Chairman, met with the internal audit Partner of Littlejohn LLP in January 2012 to discuss the most recent Internal Audit Report on the Manager. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 23.

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

7. *Reliance upon third parties risk*

The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions. There are provisions within the management agreement for the change of Manager under certain circumstances (for more detail, see the management agreement paragraph on page 18). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.

8. *Financial risks*

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

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

Environment

The management and administration of Albion Prime 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 introducing electronic delivery of accounts and information to shareholders and 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:

	31 March 2012	31 March 2011
D M Bralsford	30,000	30,000
P H Reeve	21,777	20,038
E Dinesen	11,250	11,250
M V H Rees-Mogg	5,000	5,000

There have been no changes in the holdings of the Directors between 31 March 2012 and the date of this report.

In addition, Partners and staff of Albion Ventures LLP hold a total of 32,667 shares in the Company as at 31 March 2012.

Further details of Directors' remuneration are shown in the Directors' remuneration report on page 25.

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

Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code. At the forthcoming Annual General Meeting, Martin Bralsford and Modwenna Rees-Mogg will retire and offer themselves for re-election. Further details of this can be found in the Statement of corporate governance on page 21.

Martin Bralsford has been a Director of the Company for more than nine years. The Board does not consider that his

Directors' report (continued)

length of service reduces his ability to act independently of the Manager.

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

Management agreement

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 (2011: £27,865) is payable to the Manager.

Total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value.

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

Management performance incentive

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

The incentive is based on a share of the excess return above a hurdle rate, paid out annually in cash in 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 2012 (2011: £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.

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.

Auditor

In 2007 the Audit Committee undertook a tendering exercise for provision of audit services. As a result of this process, PKF (UK) LLP was appointed as Auditor with effect from 2008. The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services. A resolution to re-appoint PKF (UK) LLP as Auditor will be proposed at the forthcoming Annual General Meeting.

Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. As at 31 March 2012, trade creditors totalled £22,000 (2011: £25,000). The creditor days as at 31 March 2012 were 18 days (2011: 19 days).

Annual General Meeting

The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 2.30 pm on 17 September 2012. 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 within the 'Our Funds' section by clicking on Albion Prime VCT PLC.

Directors' report (continued)

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.

Continuation as a venture capital trust

Ordinary resolution number 8 proposes the continuation of the Company as a venture capital trust. Members have the opportunity, every five years, to confirm that they wish the Company to continue as a venture capital trust, otherwise the Board is required to make proposals for the reorganisation, reconstruction or the orderly liquidation and winding up of the Company.

The approval by Shareholders of resolution number 8 will result in either the merger with Albion Venture Capital Trust plc proceeding (if the merger becomes effective) or the Company otherwise continuing as a venture capital trust.

Power to allot shares

Ordinary resolution number 9 will request the authority to allot up to an aggregate nominal amount of £24,570 representing approximately 10 per cent. of the issued Ordinary share capital of the Company as at the date of this report.

The Directors do not currently have any intention to allot shares, with the exception of the Dividend Reinvestment Scheme, any Albion VCTs Linked Top Up Offer and the reissuance of treasury shares where it is in the Company's interest to do so. The Company currently holds 2,341,500 Ordinary treasury shares representing 9.8 per cent. of the total Ordinary share capital in issue as at 31 March 2012.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2011. 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 10, will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £24,570 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 11 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 price specified in resolution 11. Shares bought back under this authority may be cancelled and up to 10 per cent. can be held in treasury.

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

This resolution would renew the 2011 authority, which was on similar terms. During the year, the Company purchased 232,000 Ordinary shares for cancellation and 563,611 Ordinary shares to be held in treasury at an aggregate consideration of £485,000 (including stamp duty) representing 3.4 per cent. of the issued Ordinary share capital as at 31 March 2011. During the year, the Company also cancelled 465,066 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 these resolutions is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

Special resolution number 12 will request the authority for Directors to sell treasury shares at the higher of the prevailing share price and the price bought in at.

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 68,027 shares.

Directors' report (continued)

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

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

Disclosure of information to auditor

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

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

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

By Order of the Board

Albion Ventures LLP

Company Secretary

1 King's Arms Yard
London, EC2R 7AF
28 June 2012

Statement of corporate governance

Background

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

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

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

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

Application of the Principles of the Code

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

Board of Directors

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

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 to be 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 and, in accordance with the

recommendations of the AIC code, is subject to annual re-election. The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director's length of service reduces their ability to act independently of the Manager. Patrick Reeve is also subject to annual re-election as he is not considered to be an independent Director.

The 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 7. 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 UK Corporate Governance Code, the Company has in place Directors' & Officers' Liability Insurance.

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender, experience and balance of skills.

The Board met five times during the year ended 31 March 2012 as part of its regular programme of Board meetings. All of the Directors attended each meeting, except Martin Bralsford who attended four meetings. Additionally, a sub-committee comprising at least two of the Board met during the year to allot shares under the Dividend Reinvestment Scheme and the Albion VCTs Linked Top Up Offers. A sub-committee of the Board also met during the year to approve the terms and contents of the offer documents under the Albion VCTs Linked Top Up Offer 2011/2012.

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

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

Statement of corporate governance (continued)

- 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 UK Corporate Governance Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the 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, Modwenna Rees-Mogg and Patrick Reeve will also retire and offer themselves for re-election at the forthcoming Annual General Meeting.

In light of the structured performance evaluation, Martin Bralsford, Modwenna Rees-Mogg and Patrick Reeve are considered to be effective directors 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 the Listing Rules are not considered 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 2012; 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 Auditor annually, approving its 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 Auditor;
- meeting the external Auditor at least once a year without the presence of the Manager;
- meeting with the internal Auditor of the Manager when appropriate;
- ensuring that all Directors of the Company, and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee, and that these issues, 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 Auditor and reviewing their findings; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

The Committee reviews the performance and continued suitability of the Company's external auditor on an annual basis. They assess the external auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. There were no non-audit fees charged to the Company during the year.

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

Nomination Committee

The Nomination Committee consists of all Directors, excluding Patrick Reeve, with Martin Bralsford as Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience, diversity 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 2012 and will meet when it is appropriate to do so.

Internal Control

In accordance with the UK Corporate Governance 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 UK Corporate Governance Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Board has delegated the investment management and administration to Albion Ventures LLP. Consequently 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,

Statement of corporate governance (continued)

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 Prime 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 have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

The Board’s assessment of liquidity risk and details of the Company’s policies for managing its capital and financial risks are shown in note 19. The Company’s business activities, together with details of its performance are shown in the Directors’ report 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 13 and 19 of the Directors’ report. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

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

Relationships with shareholders

The Company’s Annual General Meeting on 17 September 2012 will be used as an opportunity to communicate with investors. The Board including the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting.

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

The Annual General Meeting will also include a presentation from the Manager on the portfolio and on the Company, and a presentation from 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 under the “Our Funds” section.

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

Tel: 0870 873 5855 (UK National Rate call, lines are open 8.30 am – 5.30 pm; Mon – Fri; calls may be recorded)

Website: www.computershare.co.uk

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

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

Tel: 020 7601 1850 (calls may be recorded; lines are open 9.00 am – 5.30 pm, Mon – Fri)

E-mail: info@albion-ventures.co.uk

Website: www.albion-ventures.co.uk

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

Statement of compliance

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

Martin Bralsford

Chairman

28 June 2012

Directors' remuneration report

Introduction

This report is submitted in accordance with Section 420 of the Companies Act 2006. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the 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

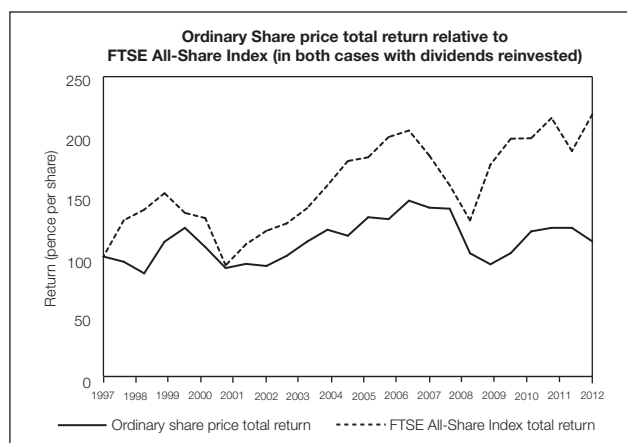
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration market equivalents are considered in comparison to the overall activities and size of the Company.

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 Prime 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. In accordance with recommendations of the AIC Code, Directors who have served the Company for longer than nine years are subject to annual re-election, and any non-independent Directors are also subject to annual re-election. At the forthcoming Annual General Meeting Martin Bralsford, Modwenna Rees-Mogg and Patrick Reeve will retire and be proposed for re-election.

AUDITED INFORMATION

Directors' remuneration

The following items have been audited.

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Marbral Limited (for Martin Bralsford's services)	15	15
Albion Ventures LLP (for Patrick Reeve's services)	15	15
Ebbe Dinesen	15	15
Modwenna Rees-Mogg	15	15
	<u>60</u>	<u>60</u>

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 £7,632 (2011: £7,980).

By Order of the Board

Albion Ventures LLP
Company Secretary

1 King's Arms Yard
London
EC2R 7AF
28 June 2012

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

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

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Statement of corporate governance set out on pages 21 to 24 in the Annual Report in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out in the Statement of corporate governance on page 24, in relation to going concern; and
- the part of the Statement of corporate governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Rhodri Whitlock (Senior statutory auditor)

for and on behalf of PKF (UK) LLP,
Statutory auditor
London, UK
28 June 2012

Income statement

	Note	Year ended 31 March 2012			Year ended 31 March 2011		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(209)	(209)	–	27	27
Investment income	4	730	–	730	705	–	705
Investment management fees	5	(68)	(204)	(272)	(67)	(201)	(268)
Other expenses	6	(183)	–	(183)	(211)	–	(211)
Return/(loss) on ordinary activities before tax		479	(413)	66	427	(174)	253
Tax (charge)/credit on ordinary activities	8	(90)	54	(36)	(17)	53	36
Return/(loss) attributable to shareholders		389	(359)	30	410	(121)	289
Basic and diluted return/(loss) per share (pence)*	10	1.8	(1.7)	0.1	2.0	(0.6)	1.4

*excluding treasury shares

The accompanying notes on pages 31 to 43 form an integral part of these Financial Statements.

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

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

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

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

Balance sheet

	Note	31 March 2012 £'000	31 March 2011 £'000
Fixed asset investments	11	13,498	13,513
Current assets			
Trade and other debtors	13	11	56
Cash at bank and in hand	17	1,404	1,537
		1,415	1,593
Creditors: amounts falling due within one year	14	(242)	(194)
Net current assets		1,173	1,399
Net assets		14,671	14,912
Capital and reserves			
Called up share capital	15	239	234
Share premium		1,648	818
Capital redemption reserve		12	5
Unrealised capital reserve		(3,157)	(2,859)
Special reserve		13,039	14,250
Treasury shares reserve		(2,110)	(2,198)
Realised capital reserve		3,883	3,944
Revenue reserve		1,117	718
Total equity shareholders' funds		14,671	14,912
Basic and diluted net asset value per share (pence)*	16	68.0	70.5

*excluding treasury shares

The accompanying notes on pages 31 to 43 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 28 June 2012 and were signed on its behalf by

Martin Bralsford

Chairman

Company number: 03265074

Reconciliation of movements 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
As at 1 April 2011	234	818	5	(2,859)	14,250	(2,198)	3,944	718	14,912
(Loss)/return for the period	–	–	–	(365)	–	–	6	389	30
Transfer of previously unrealised losses on sale of investments	–	–	–	67	–	–	(67)	–	–
Purchase of own shares for cancellation	(2)	–	2	–	(143)	–	–	–	(143)
Purchase of own treasury shares	–	–	–	–	–	(342)	–	–	(342)
Cancellation of treasury shares	(5)	–	5	–	(430)	430	–	–	–
Issue of equity (net of costs)	12	830	–	–	–	–	–	–	842
Net dividends paid (note 9)	–	–	–	–	–	–	–	(628)	(628)
Transfer from special reserve to revenue reserve	–	–	–	–	(638)	–	–	638	–
As at 31 March 2012	239	1,648	12	(3,157)	13,039	(2,110)	3,883	1,117	14,671

As at 1 April 2010	11,419	–	2,544	(3,317)	8,327	(2,207)	(2,297)	307	14,776
Return/(loss) for the period	–	–	–	22	–	–	(143)	410	289
Transfer of previously unrealised losses on sale of investments	–	–	–	436	–	–	(436)	–	–
Reduction in share capital	(11,116)	–	–	–	11,116	–	–	–	–
Cancellation of capital redemption reserve	–	–	(2,626)	–	2,626	–	–	–	–
Purchase of own shares for cancellation	(87)	–	87	–	(371)	–	–	–	(371)
Cancellation of treasury shares	–	–	–	–	(9)	9	–	–	–
Issue of equity (net of costs)	18	818	–	–	–	–	–	–	836
Dividends paid	–	–	–	–	–	–	–	(619)	(619)
Transfer from special reserve to realised capital reserve	–	–	–	–	(6,820)	–	6,820	–	–
Transfer from special reserve to revenue reserve	–	–	–	–	(619)	–	–	619	–
As at 31 March 2011	234	818	5	(2,859)	14,250	(2,198)	3,944	718	14,912

*Included within the aggregate of these reserves is an amount of £12,772,000 (2011: £13,855,000) which is considered available for distribution. The special reserve has been treated as distributable in determining the amounts available for distribution.

The special reserve allows the Company, amongst other things, to facilitate the payment of dividends earlier than would otherwise have been possible as transfers can be made from this reserve to the revenue reserve. Accordingly, a transfer of £638,000 (2011: £619,000) representing the dividend payment made from revenue reserve has been made from the special reserve to the revenue reserve.

Cash flow statement

	Note	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Operating activities			
Investment income received		690	679
Deposit interest received		21	18
Dividend income received		–	4
Investment management fees paid		(295)	(265)
Other cash payments		(177)	(202)
Net cash flow from operating activities	18	239	234
Taxation			
UK corporation tax received		83	43
Capital expenditure and financial investments			
Purchase of fixed asset investments		(1,519)	(1,245)
Disposals of fixed asset investments		1,321	833
Net cash flow from investing activities		(198)	(412)
Equity dividends paid (net of cost of shares issued under the dividend reinvestment scheme and unclaimed dividends returned)		(587)	(600)
Net cash flow before financing		(463)	(735)
Financing			
Purchase of own shares		(502)	(354)
Issue of share capital		832	807
Net cash flow from financing		330	453
Cash flow in the year	17	(133)	(282)

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

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

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", unquoted equity, debt issued at a discount and convertible bonds are designated as fair value through profit or loss ("FVTPL"). Unquoted investments' fair value is determined by the Directors in accordance with the September 2009 International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines). Desk top reviews are carried out by independent RICS qualified surveyors by updating previously prepared full valuations for current trading and market indices. Full valuations are prepared by similarly qualified surveyors but in full compliance with the RICS Red Book.

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

Warrants and unquoted equity derived instruments

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

Unquoted loan stock

Unquoted loan stock (excluding convertible bonds and debt issued at a discount) is classified as loans and receivables as permitted by FRS 26 and measured at amortised cost using the effective interest rate method less impairment. Movements in 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 reserve for impairments arising from revaluation of the fair value of the security.

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 original effective interest rate. The future cash flows are estimated based on the fair value of the security less the estimated selling costs.

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

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

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

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

Investment income

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

Notes to the Financial Statements (continued)

based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

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

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, capital redemption reserve and the reduction in share capital have 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)/gains on investments

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Unrealised gains on fixed asset investments held at fair value through profit or loss	104	54
Unrealised impairments on fixed asset investments held at amortised cost	(469)	(32)
Unrealised (losses)/gains sub total	(365)	22
Realised gains on investments held at fair value through profit or loss	156	11
Realised losses on investments held at amortised cost	-	(6)
Realised gains sub total	156	5
	(209)	27

Investments measured at amortised cost are unquoted loan stock investments (excluding discounted and convertible bonds) as described in note 2.

4. Investment income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Income recognised on investments held at fair value through profit or loss		
Dividend income	-	4
Income from discounted debt	15	-
	15	4
Income recognised on investments held at amortised cost		
Return on loan stock investments	693	681
Bank deposit interest	22	20
	715	701
	730	705

Interest income earned on impaired investments at 31 March 2012 amounted to £185,000 (2011: £96,000). These investments are all held at amortised cost.

5. Investment management fees

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Investment management fee charged to revenue	68	67
Investment management fee charged to capital	204	201
	272	268

Further details of the management agreement under which the investment management fee is paid are given in the Directors' report on page 18.

Notes to the Financial Statements (continued)

6. Other expenses

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Secretarial and administration fee	28	28
Directors' fees (including NI/VAT)	65	65
Auditor's remuneration for statutory audit services	23	22
Other	67	96
	<u>183</u>	<u>211</u>

7. Directors' fees

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Directors' fees	60	60
National Insurance and/or VAT	5	5
	<u>65</u>	<u>65</u>

Further information regarding Directors' remuneration can be found in the Directors' remuneration report on page 25.

8. Tax (charge)/credit on ordinary activities

	Year ended 31 March 2012			Year ended 31 March 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	(109)	54	(55)	(100)	53	(47)
UK corporation tax in respect of prior periods	19	–	19	83	–	83
	<u>(90)</u>	<u>54</u>	<u>(36)</u>	<u>(17)</u>	<u>53</u>	<u>36</u>

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

Factors affecting the tax charge:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit on ordinary activities before taxation	66	253
Tax on profit at the small companies rate	(13)	(53)
Factors affecting the charge:		
Consortium relief in respect of prior years	19	83
Non-taxable (losses)/gains	(42)	5
Non-taxable income	–	1
	<u>(36)</u>	<u>36</u>

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.

Notes to the Financial Statements (continued)

9. Dividends

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
First dividend paid on 9 July 2010 – 1.5 pence per share	–	309
Second dividend paid on 28 February 2011 – 1.5 pence per share	–	310
First dividend paid on 31 August 2011 – 1.5 pence per share	321	–
Second dividend paid on 29 February 2012 – 1.5 pence per share	317	–
Unclaimed dividends	(10)	–
	<u>628</u>	<u>619</u>

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2013 of 1.5 pence per share. This dividend will be paid on 31 August 2012 to shareholders on the register as at 3 August 2012. The total dividend will be approximately £333,000.

During the year, unclaimed dividends older than twelve years of £10,000 (2011: £nil) were returned to the Company in accordance with the terms of the Articles of Association.

10. Basic and diluted return/(loss) per share

The return/(loss) per share has been based on the following figures:

	Year ended 31 March 2012			Year ended 31 March 2011		
	Revenue	Capital	Total	Revenue	Capital	Total
Return/(loss) attributable to equity shares (£'000)	389	(359)	30	410	(121)	289
Weighted average shares (excluding treasury shares)		21,298,987			20,469,014	
Basic and diluted return/(loss) per share (pence)	<u>1.8</u>	<u>(1.7)</u>	<u>0.1</u>	<u>2.0</u>	<u>(0.6)</u>	<u>1.4</u>

The weighted average number of shares is calculated excluding treasury shares of 2,341,500 (2011: 2,242,955).

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.

11. Fixed asset investments

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

	31 March 2012 £'000	31 March 2011 £'000
Unquoted equity investments at fair value through profit or loss	3,489	3,250
Unquoted convertible loan stock investments and discounted bonds valued at fair value through profit or loss	803	71
Unquoted preference share investments at fair value through profit or loss	–	236
Unquoted loan stock investments measured at amortised cost	9,206	9,956
	<u>13,498</u>	<u>13,513</u>

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

	£'000
Opening valuation as at 1 April 2011	13,513
Purchases at cost	1,492
Disposal proceeds	(1,321)
Realised gains	156
Movement in loan stock accrued income	23
Unrealised losses	(365)
Closing valuation as at 31 March 2012	13,498
Movement in loan stock accrued income	
Opening accumulated movement in loan stock accrued income	117
Movement in loan stock accrued income	23
Closing accumulated movement in loan stock accrued income	140
Movement in unrealised losses	
Opening accumulated unrealised losses	(2,854)
Transfer of previously unrealised losses to realised reserve on disposal of investments	67
Movement in unrealised losses	(365)
Closing accumulated unrealised losses	(3,152)
Historic cost basis	
Opening book cost	16,250
Purchases at cost	1,492
Sales at cost	(1,232)
Closing book cost	16,510

The amount shown for the purchase of fixed assets included in the cash flow statement differs from the amount shown above, due to an investment settlement creditor in the prior year.

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

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

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

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

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

The Company's unquoted equity, preference share, convertible and discounted bonds valued at fair value through profit or loss (level 3) had the following movements in the year to 31 March 2012:

	31 March 2012			31 March 2011		
	Equity £'000	Convertible and discounted bonds £'000	Total £'000	Equity £'000	Convertible and discounted bonds £'000	Total £'000
Opening balance	3,486	71	3,557	3,262	–	3,262
Additions	405	488	893	373	47	420
Disposals	(418)	–	(418)	(186)	–	(186)
Realised gains/(losses)	156	–	156	(38)	–	(38)
Unrealised (losses)/gains	(140)	244	104	75	24	99
Closing balance	3,489	803	4,292	3,486	71	3,557

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 100 per cent. of the level 3 investments (by valuation) is based on cost 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.

Unquoted equity, preference shares and convertible and discounted bonds are valued in accordance with the IPEVCV guidelines as follows:

Valuation methodology	31 March 2012 £'000	31 March 2011 £'000
Cost (reviewed for impairment)	998	422
Net asset value supported by independent desktop reviews	–	49
Net asset value supported by third party valuation	3,294	3,086
	4,292	3,557

Fair value investments had the following movements between valuation methodologies between 31 March 2011 and 31 March 2012:

Change in valuation methodology (2011 to 2012)	Value as at 31 March 2012 £'000	Explanatory note
Cost reviewed for impairment to net asset value supported by third party valuation	416	More recent information available

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

Notes to the Financial Statements (continued)

12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the 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 2012 as described below:

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

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

13. Trade and other debtors

	31 March 2012 £'000	31 March 2011 £'000
Prepayments and accrued income	11	5
Corporation tax debtor	-	36
Other debtors	-	15
	<u>11</u>	<u>56</u>

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

14. Creditors: amounts falling due within one year

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Trade creditors	22	25
Accruals and deferred income	120	142
Corporation tax creditor	83	-
Other creditors	17	27
	<u>242</u>	<u>194</u>

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

15. Called up share capital

	31 March 2012 £'000	31 March 2011 £'000
Allotted, called up and fully paid		
23,903,442 Ordinary shares of 1p each (2011: 23,398,778 Ordinary shares at 1p each)	<u>239</u>	<u>234</u>
Shares in issue		
21,561,942 Ordinary shares of 1p each in issue (net of treasury shares) (2011: 21,155,823)		

The Company purchased 232,000 Ordinary shares (2011: 621,371) for cancellation at a cost of £143,000 (2011: £371,000) representing 1.1 per cent. of the shares in issue (excluding treasury shares) as at 31 March 2011.

The Company also purchased 563,611 Ordinary shares (2011: nil) to be held in treasury at a cost of £342,000 (2011: £nil). The shares purchased for treasury were funded from the treasury shares reserve. The Company cancelled 465,066 Ordinary shares (2011: 10,000) from the treasury shares reserve, leaving a balance of 2,341,500 Ordinary shares in treasury which represents 9.8 per cent. of the Ordinary shares in issue as at 31 March 2012.

Notes to the Financial Statements (continued)

15. Called up share capital (continued)

Under the terms of the Dividend Reinvestment Scheme circular, Ordinary shares were allotted during the year as follows:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Net consideration received £'000	Issue price (pence per share)	Opening market price per share on allotment date (pence per share)
31 August 2011	18,646	–	13	69.3	60.5
29 February 2012	20,034	–	14	69.7	54.5
	<u>38,680</u>	<u>–</u>	<u>27</u>		

Under the terms of the Albion VCTs Linked Top Up Offers, the following shares were issued during the year:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Net consideration received £'000	Issue price (pence per share)	Opening market price per share on allotment date (pence per share)
5 April 2011	381,618	4	267	74.6	62.0
16 May 2011	32,421	–	23	74.6	62.0
10 January 2012	357,663	4	252	74.4	59.5
20 March 2012	391,348	4	273	73.8	53.5
	<u>1,163,050</u>	<u>12</u>	<u>815</u>		

16. Basic and diluted net asset value per share

	31 March 2012	31 March 2011
Basic and diluted net asset value per share attributable (pence per share)	<u>70.5</u>	<u>71.8</u>

The net asset value per share at year end is calculated in accordance with the Article of Association and is based upon total shares in issue of 23,903,442 (2011: 23,398,778) less the treasury shares of 2,341,500 (2011: 2,242,955) as at 31 March 2012.

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.

17. Analysis of changes in cash during the year

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Opening cash balances	1,537	1,819
Net cash flow	<u>(133)</u>	<u>(282)</u>
Closing cash balances	<u>1,404</u>	<u>1,537</u>

Notes to the Financial Statements (continued)

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Revenue return on ordinary activities before taxation	479	427
Investment management fee charged to capital	(204)	(201)
Movement in accrued amortised loan stock interest	(23)	2
Increase in debtors	(7)	(2)
(Decrease)/increase in creditors	(6)	8
Net cash flow from operating activities	239	234

19. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 5 of the Chairman's statement.

During the year, the Company issued shares under the Albion VCTs Linked Top Up Offer 2011/2012 launched in November 2011. The Offer closed on 31 May 2012.

The Company's financial instruments comprise equity and loan stock investments in unquoted 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 9 and 10. 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 £13,498,000 (2011: £13,513,000). Fixed asset investments form 92 per cent. of the net asset value as at 31 March 2012 (2011: 91 per cent).

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

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 9 and 10 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.

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

Investment price risk (continued)

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 £1,350,000 (2011: £1,351,000).

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise of one percentage point in all interest rates would have increased total return before tax for the year by approximately £12,000 (2011: £13,000). 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 5.9 per cent. (2011: 6.1 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 2.5 years (2011: 2.1 years).

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

	31 March 2012				31 March 2011			
	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Unquoted equity	-	-	3,489	3,489	-	-	3,486	3,486
Unquoted loan stock	10,009	-	-	10,009	10,000	27	-	10,027
Debtors*	-	-	4	4	-	-	56	56
Current liabilities*	-	-	(159)	(159)	-	-	(194)	(194)
Cash	378	1,026	-	1,404	791	746	-	1,537
Total net assets	10,387	1,026	3,334	14,747	10,791	773	3,348	14,912

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

Credit risk

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

The Manager evaluates credit risk on loan stock 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 2012 is limited to £10,009,000 (2011: £10,027,000) of unquoted loan stock instruments (all of which is secured on the assets of the investee company), £1,404,000 (2011: £1,537,000) cash deposits with banks and £4,000 debtors (2011: £56,000).

The credit profile of unquoted loan stock is described under liquidity risk on page 42.

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

	31 March 2012			31 March 2011		
	Cost £'000	Impairment £'000	Carrying value £'000	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	5,622	(1,576)	4,046	3,060	(1,039)	2,021

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.

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

Credit risk (continued)

As at the balance sheet date, the cash held by the Company is held with the Royal Bank of Scotland plc, Lloyds TSB Bank Plc, Scottish Widows Bank plc (part of Lloyds Banking Group) and Barclays 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 accounts. 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 £1,467,000 (2011: £1,491,000) as at 31 March 2012.

The Company has no committed borrowing facilities as at 31 March 2012 (2011: £nil) and cash balances of £1,404,000 (2011: £1,537,000). 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 £242,000 (2011: £194,000) at 31 March 2012.

The carrying value of loan stock investments at 31 March 2012, as analysed by expected maturity dates, was as follows:

Redemption date	Fully performing loan stock £'000	Past due loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	506	1,525	1,244	3,275
1-2 years	1,456	109	1,893	3,458
2-3 years	134	98	784	1,016
3-5 years	1,223	215	125	1,563
5+ years	627	70	–	697
Total	3,946	2,017	4,046	10,009

Loan stock categorised as past due includes:

- Loan stock with a carrying value of £13,000 yielding 14.6 per cent. which has capital past due by 11 months, and loan stock with a carrying value of £97,000 yielding 14.6 per cent. on cost which has capital past due by 17 months;
- Loan stock with a carrying value of £372,000 which has interest overdue for less than 3 months yielded 4.9 per cent. on cost;
- Loan stock with a carrying value of £1,525,000 had loan stock interest past due by 36 months (through not paying all of its contractual interest). However, these investments have yielded 7.3 per cent. on cost during the year;
- Loan stock with a carrying value of £10,000 had loan stock interest past due by 14 months.

The carrying value of loan stock investments at 31 March 2011, as analysed by the expected maturity dates, was 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	45	474	1,984	229	2,732
1-2 years	13	–	868	170	1,051
2-3 years	89	–	3,376	760	4,225
3-5 years	959	–	198	862	2,019
Total	1,106	474	6,426	2,021	10,027

In view of the information shown, the Board considers that the Company is subject to low liquidity risk.

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

Fair values of financial assets and financial liabilities

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

20. Commitments and contingencies

As at 31 March 2012, the Company was not committed to making any investments.

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

21. Post balance sheet events

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

- Investment of £50,000 in Bravo Inns II Limited;
- Investment of £14,000 in Nelson House Hospital Limited;
- The following Ordinary shares of nominal value 1 penny per share were allotted under the Albion VCTs Linked Top Up Offer 2011/2012:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Net consideration received £'000	Issue price (pence per share)	Opening market price per share on allotment date (pence per share)
5 April 2012	599,533	6	418	73.8	52.5
31 May 2012	67,348	1	47	73.8	52.0
	<u>666,881</u>	<u>7</u>	<u>465</u>		

- On 16 May 2012, the Company announced that they had reached an agreement in principle to merge with Albion Venture Capital Trust plc. Details can be found in the Chairman's statement on page 5.

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 18 of this report). During the year, services of a total value of £272,000 (2011: £268,000) were purchased by the Company from Albion Ventures LLP in relation to management fees and £28,000 (2011: £28,000) 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 £74,000 (2011: £75,000).

During the year the Company raised new funds through the Albion VCTs Linked Top Up Offers as detailed in note 15. The total cost of the issue of these shares was 5.5% of the sums subscribed. Of these costs, an amount of £4,500 (2011: £3,450) was paid to the Manager, Albion Ventures LLP in respect of receiving agent services. There were no sums outstanding in respect of receiving agent services at 31 March 2012.

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 (2011: £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 (2011: £4,000).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Prime VCT PLC (the “Company”) will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 2.30 pm on 17 September 2012 for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 9 will be proposed as ordinary resolutions and 10 to 12 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts and the report of the Directors and Auditor for the year ended 31 March 2012.
2. To re-appoint PKF (UK) LLP as auditor of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid.
3. To authorise the Directors to agree the auditor's remuneration.
4. To approve the Directors' remuneration report for the year ended 31 March 2012.
5. To re-elect Martin Bralsford as a Director of the Company.
6. To re-elect Modwenna Rees-Mogg as a Director of the Company
7. To re-elect Patrick Reeve as a Director of the Company.

Special Business

8. To continue the life of the Company as a venture capital trust.
9. 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 £24,570, 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.
10. That, subject to and conditional on the passing of resolution number 9, 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 9 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) in connection with an offer of such securities by way of rights issue;
 - (b) in connection with any Dividend Reinvestment Scheme introduced and operated by the Company;
 - (c) In relation to any top up offer outside of the Prospectus Rules: and
 - (d) otherwise than pursuant to paragraphs (a) to (c) above, up to an aggregate nominal amount of £24,570, or 10 per cent. of 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

Notice of Annual General Meeting (continued)

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 9” were omitted.

11. That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 1 penny each in the capital of the Company (“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 3,683,914 Ordinary shares, an amount equal to 14.99 per cent. of the shares in issue as at 26 June 2012;
 - (b) the minimum price exclusive of any expenses which may be paid for an Ordinary share is 1 penny;
 - (c) the maximum price exclusive of any expenses 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 18 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 11 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

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

BY ORDER OF THE BOARD

Albion Ventures LLP

Company Secretary

Registered Office

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

28 June 2012

Registered in England and Wales with number 03265074

Notice of Annual General Meeting (continued)

Notes

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

Return of the Form of Proxy will not preclude a member from attending the meeting and voting in person. You may not use any electronic address provided in the Notice of this AGM 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 2.30 pm on 15 September 2012.

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

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

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 2.30 pm on 15 September 2012 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this AGM and any adjournment(s) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 2.30 pm on 15 September 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. A copy of this Notice, and other information regarding the AGM, as required by section 311A Companies Act 2006, is available from www.albion-ventures.co.uk/ourfunds/prime.html.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. As at 26 June 2012 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 24,570,323 Ordinary shares carrying one vote each. The Company also holds 2,341,500 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 26 June 2012 are 22,228,823.
9. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.
10. Members satisfying the thresholds in Section 388A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

