

Albion Venture Capital Trust PLC

Contents

Page

2	Company information
3	Investment objective and policy
3	Background to the Company
3	Financial calendar
4	Financial highlights
6	Chairman's statement
8	Strategic report
14	The Board of Directors
15	The Manager
16	Portfolio of investments
18	Portfolio companies
20	Directors' report
25	Statement of Directors' responsibilities
26	Statement of corporate governance
31	Directors' remuneration report
33	Independent Auditor's report
38	Income statement
39	Balance sheet
40	Statement of changes in equity
41	Statement of cash flows
42	Notes to the Financial Statements
55	Notice of Annual General Meeting
59	Dividend history for C shares and Albion Prime VCT PLC

Company information

Company number	03142609
Directors	D J Watkins MBA (Harvard), Chairman (US citizen) J M B L Kerr ACMA J Warren ACCA E Dinesen R (Danish) FSR
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Capital Group LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	Philip Hare & Associates LLP 1st Floor 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP

Albion Venture Capital Trust PLC is a member of The Association of Investment Companies (www.theaic.co.uk).

Shareholder information	<p>For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC: Tel: 0370 873 5849 (UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri, calls may be recorded) Website: www.investorcentre.co.uk</p> <p>Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.</p>
Financial adviser information	<p>For enquiries relating to the performance of the Company, and information for financial advisers, please contact Albion Capital Group LLP: Email: info@albion.capital Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri; calls may be recorded) Website: www.albion.capital</p> <p>Please note that these contacts are unable to provide financial or taxation advice.</p>

Investment objective and policy

The investment strategy of Albion Venture Capital Trust PLC (the “Company”) is to manage the risk normally associated with investments in smaller unquoted companies whilst maintaining an attractive yield, through allowing investors the opportunity to participate in a balanced portfolio of asset-backed businesses. The Company’s investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term.

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;
- the Company 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 portfolio company. Funds managed or advised by Albion Capital Group LLP typically own 50 per cent. of the equity of the portfolio company;
- other than the loan stock issued to funds managed or advised by Albion Capital Group LLP, portfolio 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.

As defined by the Articles of Association, the Company’s maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not currently have any intention to utilise gearing for the Company.

Background to the Company

The Company is a venture capital trust which raised a total of £39.7 million through an issue of Ordinary shares in the spring of 1996 and through an issue of C shares in the following year. The C shares merged with the Ordinary shares in 2001. The Company has raised a further £26.9 million under the Albion VCTs Top Up Offers since 2011.

On 25 September 2012, the Company acquired the assets and liabilities of Albion Prime VCT PLC (“Prime”) in exchange for new shares in the Company. Each Prime shareholder received 0.8801 shares in the Company for each Prime share that they held at the date of the Merger.

Financial calendar

Record date for first dividend	7 July 2017
Payment of first dividend	31 July 2017
Annual General Meeting	11:00am on 14 August 2017
Announcement of half-yearly results for the six months ended 30 September 2017	December 2017
Payment of second dividend (subject to Board approval)	31 January 2018

Financial highlights

8.7p

Basic and diluted total return per share for the year ended 31 March 2017

5.0p

Total tax-free dividend per share paid during the year ended 31 March 2017

75.4p

Net asset value per share as at 31 March 2017

220.2p

Total shareholder return since launch to 31 March 2017

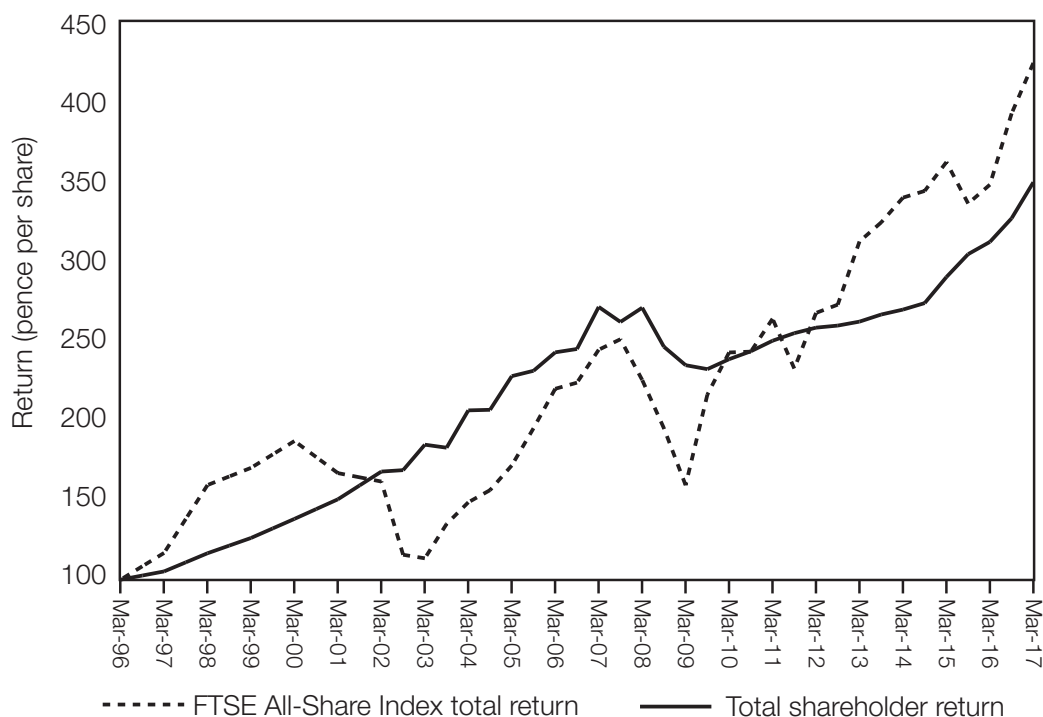
7.4%

Tax free yield on share price (dividend per annum/share price as at 31 March 2017)

6.4%

Annualised return since launch (without tax relief)

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



Source: Albion Capital Group LLP

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

Financial highlights (continued)

	31 March 2017 (pence per share)	31 March 2016 (pence per share)
Dividends paid	5.0	5.0
Revenue return	1.9	2.0
Capital return	6.8	3.6
Net asset value	75.4	72.0

Total shareholder return to 31 March 2017	Ordinary shares
Total dividends paid during the year ended :	
31 March 1997	2.00
31 March 1998	5.20
31 March 1999	11.05
31 March 2000	3.00
31 March 2001	8.55
31 March 2002	7.60
31 March 2003	7.70
31 March 2004	8.20
31 March 2005	9.75
31 March 2006	11.75
31 March 2007	10.00
31 March 2008	10.00
31 March 2009	10.00
31 March 2010	5.00
31 March 2011	5.00
31 March 2012	5.00
31 March 2013	5.00
31 March 2014	5.00
31 March 2015	5.00
31 March 2016	5.00
31 March 2017	5.00
Total dividends paid to 31 March 2017	144.80
Net asset value as at 31 March 2017	75.40
Total shareholder return to 31 March 2017	220.20

The financial summary above is for the Company, Albion Venture Capital Trust PLC Ordinary shares only. Details of the financial performance of the C shares and Albion Prime VCT PLC, which have been merged into the Company, can be found on pages 59 and 60.

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2018 of 2.5 pence per share to be paid on 31 July 2017 to shareholders on the register on 7 July 2017.

Notes

- 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.
- All dividends paid by the Company are paid free of income tax to qualifying shareholders. It is an H.M. Revenue & Customs requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies – VCTs section of the Financial Times on a daily basis. Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value.

Chairman's statement

Introduction

The results for the year to 31 March 2017 show a total return of 8.7 pence per share, against 5.6 pence per share for the previous year, and net assets of 75.4 pence per share compared to 72.0 pence per share at 31 March 2016, following the payment of total tax-free dividends of 5 pence per share.

It is encouraging that the Company's total return continues for the third year to more than cover its dividend of 5 pence per share. This has been partly through an increase in the income generated by the investment portfolio, which has risen 12 per cent. from the previous year. The principal element, however, has come from capital uplifts; in particular the uplift in the third party valuations of our care homes.

Investment performance and progress

In general, we have been continuing the task of repositioning the portfolio, aimed at a reduced reliance on sectors that are exposed to the consumer and business cycle. Healthcare now accounts for 35 per cent. of the portfolio, renewable energy accounts for 17 per cent., while education continues to account for 7 per cent.. Hotels, meanwhile, have reduced from 23 per cent. to 18 per cent..

Taking these sectors in turn, Shinfield View, Reading, which is one of our three care homes, opened in April 2016. Active Lives Care (trading as Cumnor Hill House), which is based in Oxford, opened in June 2016; and Ryefield Court, based in Hillingdon in West London, opened in July 2016. All three care homes are building towards good levels of occupancy, at rates significantly higher than originally forecast, leading to pleasing uplifts in the independent third party valuations.

Our renewable energy investments are now mature, other than our biogas plant, Earnside Energy, which is currently expanding its capacity. In general, it is intended to hold these cash-generative investments for the longer term with the aim of providing low risk diversification for the investment portfolio as a whole, combined with a strong source of income.

In education, Radnor House Twickenham now has over 400 pupils while pupil numbers at Radnor House Sevenoaks, formerly Combe Bank School, have already reached 300.

We continue to review our hotel portfolio with a view to reducing our exposure further. Trading at the Holiday Inn Express at Stansted Airport has been strong, but the valuation has been reduced in light of a new, competing, hotel opening in the summer. Trading at the Crown hotel in Harrogate has been similar to prior year while the Stanwell Hotel has continued to face challenges.

With regard to our pubs, our portfolio of units in the North West, within Bravo Inns and Bravo Inns II, continues to expand its operations. Meanwhile, The Charnwood Pub Company (renamed MHS1 Limited) completed the disposal of its pub portfolio. After the year end, The Weybridge Club Limited (renamed TWCL Limited) sold the assets of its business.

Results and dividends

As at 31 March 2017, the net asset value was £65.5 million or 75.4 pence per share, compared to £57.0 million or 72.0 pence per share as at 31 March 2016, after the payment of total tax-free dividends of 5 pence per share. The results comprised a total return of 8.7 pence per share for the year (2016: 5.6 pence per share), which is made up of a 1.9 pence per share revenue return (2016: 2.0 pence per share) and a 6.8 pence per share capital return (2016: 3.6 pence per share). The revenue return before taxation was £1.8 million compared to £1.7 million for the year to 31 March 2016. The Company will pay a first dividend of 2.5 pence per share for the year ending 31 March 2018 on 31 July 2017 to shareholders on the register on 7 July 2017, which is in line with the Company's current objective of paying a dividend of 5 pence per share annually. Thereafter, it is intended that payment of the next dividend will be made at the end of January 2018, which was previously paid to shareholders in December.

Risks and uncertainties

The outlook for the UK economy, continues to be the key risk affecting your Company. The forthcoming withdrawal from the European Union may have an effect on the Company and its investments, although the extent of the effect is not quantifiable at this time. However, we would expect the effect to be felt most in those sectors which are most exposed to the consumer and business cycle.

The regulatory environment in which the Company operates has had significant input from rules developed within the European Union and it is uncertain what changes may occur in a separate UK regulatory environment.

The Company's policy remains that its portfolio companies should not normally have external borrowings and for the Company normally to have a first charge over portfolio companies' assets. The Board and the Manager see this as an important factor in the control of investment risk. However, certain portfolio companies may take on external borrowings, where the Board considers this will offer a significant benefit to the Company.

A detailed analysis of the other risks and uncertainties facing the business is set out on pages 12 and 13 of the Strategic report.

Chairman's statement (continued)

Board composition

As you may know, I have been chairman of your Company since its launch in 1996 and I have indicated to the Board that I intend to retire at the Annual General Meeting in August 2018. Ebbe Dinesen has indicated that he would also like to retire, at the Annual General Meeting in 2019. The nomination committee is therefore in the process of reviewing candidates and announcements of replacements will be made in due course. We believe that it will be helpful to have some overlap of new directors joining the Board before we retire. To facilitate this, a resolution will be proposed at the Annual General Meeting to raise the aggregate annual limit for total Directors' fees to £150,000, which will facilitate increasing the Board's size but will not be used to increase the individual Director's fees.

Albion VCTs top up offers

The Company raised approximately £0.3 million during the year under the Albion VCTs Prospectus Top Up Offers 2015/2016 and approximately £5.6 million under the Albion VCTs Prospectus Top Up Offers 2016/2017, with a subsequent £0.3 million after the year end.

The Company announced on 14 June 2017 that, subject to regulatory approval, it intends to launch a prospectus top up offer of new ordinary shares for subscription in the 2017/2018 and 2018/2019 tax years. Full details of the Offer will be contained in a prospectus that is expected to be published in early September 2017 and will be available on the Albion Capital website (www.albion.capital).

Share buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in existing and new portfolio 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 criterion that such purchases are in the Company's interest. The total value bought in for the year ended 31 March 2017 was £873,000. Subject to the constraints referred to above and subject to first purchasing shares held by the market makers, the Board will target such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

Continuation as a venture capital trust

At the 2017 Annual General Meeting shareholders have the opportunity 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 and present these to the members at a general meeting. Those shareholders who have been using their investment in the VCT to defer a capital gain should note that, on a return of capital, that gain would become chargeable at the prevailing rate of capital gains tax.

Your Board believes that the Albion VCTs have the potential to be highly effective long-term investment vehicles, with strong tax-free dividend streams. Therefore, the Board recommends that shareholders should vote in favour of the Company continuing as a venture capital trust, as they intend to vote in respect of their own shares. Further details regarding the resolution can be found in the Directors' report on page 23.

Outlook and prospects

We are pleased with the progress made during the course of the year, in particular the building up of our healthcare portfolio. Looking forward, there are a number of interesting areas for investment in the pipeline and we would anticipate further progress in the current year.

David Watkins

Chairman
27 June 2017

Strategic report

Investment objective and policy

The Company's investment policy is to provide investors with the opportunity to participate in a balanced portfolio of asset-backed businesses. The Company's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term.

This is achieved as follows:

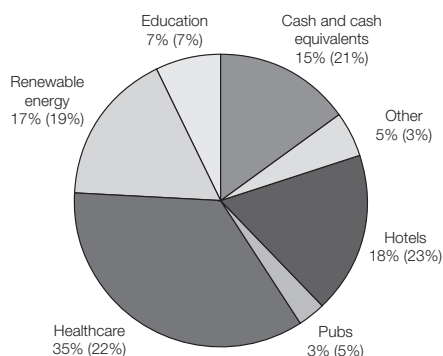
- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- the Company invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured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

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not currently have any intention to utilise gearing for the Company.

Current portfolio sector allocation

The following pie chart shows the split of the portfolio valuation by industrial or commercial sector as at 31 March 2017. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 16 and 17.

Split of portfolio by sector



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

Direction of portfolio

The sector analysis of the Company's investment portfolio shows that healthcare now accounts for 35 per cent. of the portfolio, compared to 22 per cent. at the end of the previous financial year, following further investments in the Company's three care homes and £6.8 million uplift in valuations. This may increase further as the care homes approach maturity and are revalued in the future. Renewable energy accounts for 17 per cent. of the portfolio, but no new investments are being made in this sector as they are no longer allowed under VCT rules. Hotels accounted for 18 per cent. compared to 23 per cent. at the previous year end and the Company is looking to reduce this further.

Results and dividends

	Ordinary shares
	£'000
Net revenue return for the year ended 31 March 2017	1,510
Net capital gain for the year ended 31 March 2017	<u>5,501</u>
Total return for the year ended 31 March 2017	7,011
Dividend of 2.5 pence per share paid on 29 July 2016	(1,987)
Dividend of 2.5 pence per share paid on 30 December 2016	(1,986)
Unclaimed dividends returned to the Company	<u>9</u>
Transferred to reserves	<u>3,047</u>
Net assets as at 31 March 2017	<u>65,475</u>
Net asset value per share as at 31 March 2017 (pence)	<u>75.4</u>

The Company paid dividends totalling 5.0 pence per share during the year ended 31 March 2017 (2016: 5.0 pence per share). The dividend objective of the Board is to provide Shareholders with a strong, predictable dividend flow, with a dividend target of 5.0 pence per share per year.

As noted in the Chairman's statement, the Board has declared a first dividend of 2.5 pence per share for the year ending 31 March 2018. This dividend will be paid on 31 July 2017 to shareholders on the register on 7 July 2017.

As shown in the Income statement on page 38 of the Financial Statements, the Company's investment income has increased to £2,381,000 (2016: £2,236,000) and the total revenue return to equity holders also increased to £1,510,000 (2016: £1,403,000), principally driven by the Company's successful renewable energy development programme. Income continues to more than cover on-going expenses. Although total income has increased, revenue return per share has decreased slightly, to 1.9 pence per

Strategic report (continued)

share (2016: 2.0 pence per share), due to the number of new shares issued during the year. The capital gain on investments for the year was £6,179,000 (2016: £3,203,000), offset by management fees charged to capital and the related taxation impact, resulting in a capital return of 6.8 pence per share (2016: 3.6 pence per share). The total return was 8.7 pence per share (2016: 5.6 pence per share).

The Balance sheet on page 39 shows that the net asset value has increased over the last year to 75.4 pence per share (2016: 72.0 pence per share), reflecting the total return exceeding the level of dividends paid during the year.

The cash flow for the Company has been a net inflow of £166,000 for the year (2016: inflow £1,328,000), reflecting cash inflows from operations, disposal proceeds and the issue of Ordinary shares under the Albion VCTs Top Up Offers, offset by dividends paid, new investments in the year and the buy-back of shares.

During the year, unclaimed dividends older than twelve years of £9,000 (2016: £22,000) were returned to the Company in accordance with the terms of the Articles of Association.

Review of business and future changes

A review of the Company's business during the year and investment performance and progress is contained in the Chairman's statement on page 6. The healthcare sector performed particularly well again this year with an increase in valuations of £6,791,000 (2016: £1,517,000). After strong increases in previous years, the renewable energy sector saw modest increases overall. The hotel sector saw a decrease of £944,000 (2016: £524,000 uplift) principally as a result of caution in the light of new competition for our hotel at Stansted Airport. The education sector saw an increase in valuation of £618,000 (2016: £337,000) as Radnor House Sevenoaks boosted pupil numbers. TWCL Limited (previously The Weybridge Club Limited) decreased in valuation by £145,000, which subsequently sold its business and assets after the year end.

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

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

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis

with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on page 21.

To comply with EU State aid obligations, rules were introduced under the Finance Act (No.2) 2015 and Finance Act 2016, which include:

- Restrictions over the age of investments;
- A prohibition on management buyouts or the purchase of existing businesses;
- An overall lifetime investment cap of £12 million from tax-advantaged funds into any portfolio company; and
- A VCT can only make qualifying investments or certain specified non-qualifying investments such as money market securities and short term deposits.

While these changes were significant, the Manager's assessment is that had they been in place previously they would have affected only a relatively small minority of the investments that we have made into new portfolio companies over recent years. The Board's current view is that there will be no material change in our investment policy as a result.

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

Future prospects

The Company's performance record reflects the resilience of the strategy outlined above and has enabled the Company to maintain a predictable stream of dividend payments to shareholders. The Board believes that this model will continue to meet the investment objective and has the potential to deliver attractive returns to shareholders in the future.

Key performance indicators

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

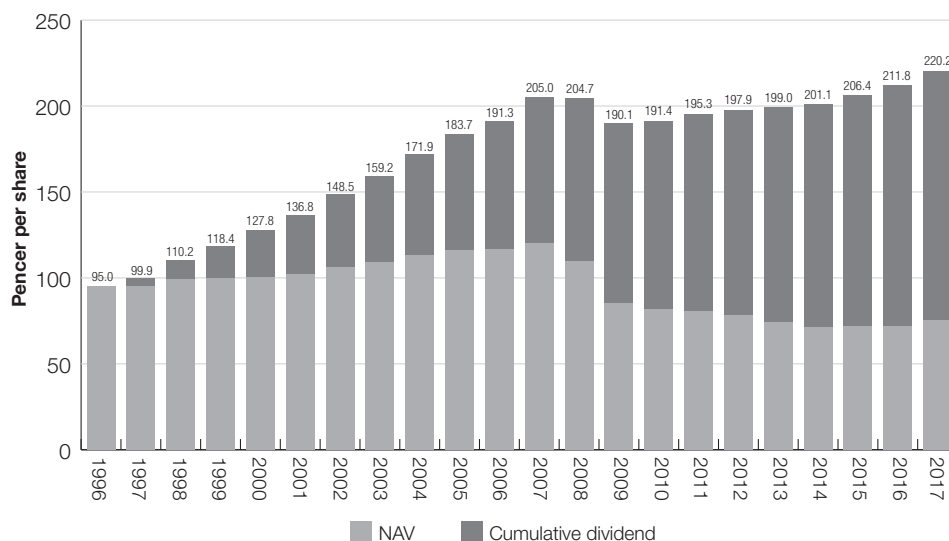
1. Total shareholder return relative to FTSE All Share Index total return

The graph on page 4 shows the Company's total shareholder return against the FTSE All-Share Index total return, in both instances with dividends reinvested.

Strategic report (continued)

2. Net asset value per share and total shareholder return

Net asset value per share and total shareholder return*



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

Net asset value increased by 11.7 per cent. (after adding back the 5.0 pence per share in dividends paid) to 75.4 pence per share for the year ended 31 March 2017.

Total shareholder return increased by 4.0 per cent. to 220.2 pence per share for the year ended 31 March 2017.

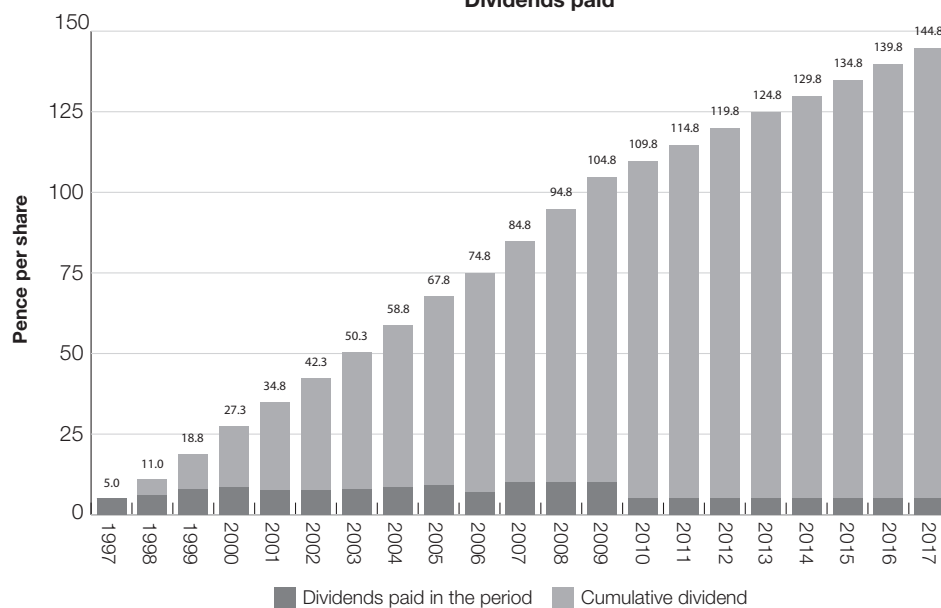
3. Dividend distributions

Dividends paid in respect of the year ended 31 March 2017 were 5.0 pence per share (2016: 5.0 pence per share), in line with the Board's dividend objective. Cumulative dividends paid since inception amount to 144.8 pence per Ordinary share and 133.25 pence per historic C share.

4. Ongoing charges

The ongoing charges ratio for the year to 31 March 2017 was 2.4 per cent. (2016: 2.5 per cent.). The ongoing charges ratio has been calculated using The Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the year ahead to be approximately 2.4 per cent. The cap on total annual normal expenses, including the management fee, is 3.0 per cent. of the net asset value.

Dividends paid



Strategic report (continued)

Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not currently have any intention to utilise gearing for the Company. On an exceptional basis, certain portfolio companies may take on external borrowings, where the Board considers this will offer a significant benefit to the Company.

Operational arrangements

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

Management agreement

Under the Management agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management agreement can be terminated by either party on 12 months' notice. The Management agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 1.9 per cent. of the net asset value of the Company, and an annual secretarial and administrative fee of £48,711 (2016: £48,087) increased annually by RPI. These fees are payable quarterly in arrears.

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

Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager. Under the incentive arrangement, the Company will pay an incentive fee to the Manager of an amount equal to 8 per cent. of the excess total return above 5 per cent. per annum, paid out annually in cash as an addition to the management fee. Any shortfall of the target return will be carried forward into subsequent periods and the incentive fee will only be paid once all previous and current target returns have been met.

For the year to 31 March 2017, no incentive fee became due to the Manager (2016: £nil).

No further performance fee will become due until the hurdle rate comprising net asset value, plus dividends from 31 March 2004, has been reached. As of 31 March 2017 the

total return from 31 March 2004 amounted to 166.9 pence per share which compared to the hurdle of 213.3 pence per share at that date.

Investment and co-investment

The Company co-invests with other venture capital trusts and funds managed by Albion Capital Group 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.

Evaluation of the Manager

The Board has evaluated the performance of the Manager based on the returns generated by the Company, the continued compliance under venture capital trust legislation, the long term prospects of current investments, a review of the Management agreement and the services provided therein, and benchmarking the performance of the Manager to other service providers. The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Alternative Investment Fund Managers Directive ("AIFMD")

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

Social and community issues, employees and human rights

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

Further policies

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

- Environment
- Global greenhouse gas emissions
- Anti-bribery
- Diversity

and these are set out in the Directors' report on pages 21 and 22.

Strategic report (continued)

Risk management

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

Risk	Possible consequence	Risk management
Investment and performance risk	<p>The risk of investment in poor quality assets, which could reduce the capital and income returns to shareholders, and could negatively impact on the Company's current and future valuations.</p> <p>By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.</p>	<p>To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.</p>
Valuation risk	<p>The Company's investment valuation methodology 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.</p>	<p>As described in note 2 of the Financial Statements, the investments held by the Company are classified 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 judgements about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgements the valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. The values of all investments are at cost (reviewed for impairment) or supported by independent third party professional valuations.</p>
VCT approval risk	<p>The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns. Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.</p>	<p>To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare & Associates LLP as its taxation adviser, who report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a new portfolio company is also pre-cleared with H.M. Revenue & Customs.</p>
Regulatory and compliance risk	<p>The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.</p>	<p>Board members and the Manager have experience of operating at senior levels within or advising quoted companies. In addition, the Board and the Manager receive regular updates on new regulation from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's Compliance Officer. The Manager reports monthly to its Board on any issues arising from compliance or regulation. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's Compliance Officer. The report on controls is also evaluated by the internal auditors.</p>
Operational and internal control risk	<p>The Company relies on a number of third parties, in particular the Manager, for the provision of investment management and administrative functions. Failures in key systems and controls within the Manager's business could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.</p>	<p>The Company and its operations are subject to a series of rigorous internal controls and review procedures exercised throughout the year.</p> <p>The Audit Committee reviews the Internal Audit Reports prepared by the Manager's internal auditors, PKF Littlejohn LLP. On an annual basis, the Audit Committee chairman meets with the internal audit Partner to provide an opportunity to ask specific detailed questions in order to satisfy itself that the Manager has strong systems and controls in place including those in relation to business continuity.</p> <p>In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment objective and policies. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Capital Group LLP.</p>

Strategic report (continued)

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

Viability statement

In accordance with the FRC UK Corporate Governance Code published in September 2014 and principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 31 March 2020. The Directors believe that three years is a reasonable period in which they can assess the future of the Company to continue to operate and meet its liabilities as they fall due, and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timelines for finding, assessing and completing investments.

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

The Board assessed the ability of the Company to raise finance and deploy capital. As explained in this Strategic report the Company's income more than covers ongoing expenses. This income should increase as our asset-backed investments continue to mature. The portfolio is well balanced and geared towards long term growth delivering dividends and capital growth to shareholders. In assessing the prospects of

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

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

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

On behalf of the Board,

David Watkins

Chairman
27 June 2017

The Board of Directors

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

David Watkins MBA (Harvard), Chairman (appointed 9 February 1996)

David Watkins worked for Goldman Sachs from 1972 until 1991 where he was head of Euromarkets Syndication and Head of European Real Estate. He subsequently joined Mountleigh Group PLC where he worked as a director on the restructuring of the business prior to the Group being placed into administration. After a period operating his own corporate finance business, he joined Baring Securities in 1994 as Head of Equity Capital Markets - London, before leaving in mid-1995 when the company went into administration to become Chief Financial Officer and one of the principal shareholders for The Distinguished Programs Group LLC, an insurance distribution and underwriting group. At the end of 2012 he sold his shares in The Distinguished Programs Group LLC, but remains as Vice Chairman. From 1986 to 1990, he was a member of the Council of the London Stock Exchange.

John Kerr ACMA (appointed 9 February 1996)

John Kerr has worked as a venture capitalist and also in manufacturing and service industries. He held a number of finance and general management posts in the UK and USA, before joining SUMIT Equity Ventures, an independent Midlands based venture capital company, where he was managing director from 1985 to 1992. He then became chief executive of Price & Pierce Limited, which acted as the UK agent for overseas producers of forestry products, before leaving in 1997 to become finance director of Ambion Brick, a building materials company bought out from Ibstock PLC. After retiring in 2002, he now works as a consultant. He is an external member of the Manager's investment committee.

Jeff Warren ACCA (appointed 2 October 2007)

Jeff Warren has 30 years' financial management experience, including high level corporate governance and regulatory environment experience. In 1992 he resigned as Finance Director of Mountleigh Group PLC, which was subsequently placed into administration, and joined Bristol & West Building Society as CFO. Following the acquisition of Bristol & West by Bank of Ireland, he continued as Finance Director until he was promoted to CEO of Bristol & West PLC in 1999, and subsequently also took responsibility for the Bank of Ireland UK Branch network. In 2003 he moved to take on a role at Group level in Dublin, as Group Chief Development Officer, reporting to the Bank of Ireland CEO. In 2004 he returned to the UK and has since held a number of non-executive roles, including 4 months as a non-executive Director of Courts Plc until that company was placed into administration in December 2004.

Ebbe Dinesen R (Danish) FSR (appointed 26 September 2012)

Ebbe Dinesen qualified as a chartered accountant in Denmark before working in senior positions in the 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 that 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.

All Directors are members of the Audit Committee and John Kerr is Chairman.

All Directors are members of the Nomination Committee and David Watkins is Chairman.

All Directors are members of the Remuneration Committee and Jeff Warren is Chairman.

The Manager

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

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

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

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

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

Emil Gigov, BA (Hons), FCA, is a Partner at Albion Capital and leads Albion's investments in social care and education. He joined Albion Capital in 2000 and over the years has made and managed numerous investments in the software, engineering, business services and leisure sectors. Emil's early career was with KPMG, where he qualified as a chartered accountant in 1997 and spent three years in KPMG's corporate finance team, with a particular focus on media and leisure businesses. Emil is a trustee of the Radnor Charitable Trust, an education charity he helped establish in 2011.

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

Vikash Hansrani, BA (Hons), ACA, qualified as a chartered accountant with RSM Tenon plc and latterly worked in its corporate finance team. He joined Albion Capital in 2010, where he is currently Operations Partner. He is also Finance Director of Albion Community Power PLC and OLIM Limited. He has a BA in Accountancy & Finance from Nottingham Business School.

Ed Lascelles, BA (Hons), has been investing with Albion since 2004 and oversees many of the technology investments in the VCTs as well as the physical sciences and engineering investment for the UCL Technology Fund. Prior to Albion, Ed worked at ING Barings advising UK public companies on M&A, IPOs and fundraisings in the technology, healthcare and financial services sectors. Ed graduated from University College London with a first class degree in Philosophy.

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

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

Robert Whitby-Smith, BA (Hons), FCA, MCSI began his career at KPMG and moved on to Credit Suisse First Boston and ING Barings where he advised a number of businesses on capital raising and M&A activity. Robert joined Albion Capital in 2005 and became a partner in 2009. Robert is responsible for investments in the technology, advanced manufacturing and business services sectors. Robert holds an honours degree in History from the University of Reading and is a Chartered Accountant and a member of the Chartered Institute for Securities and Investment.

Portfolio of investments

Portfolio company	% voting rights	% voting rights held by all Albion* managed companies	As at 31 March 2017			As at 31 March 2016			Change in value for the year £'000***
			Accounting cost** £'000	Cumulative movement in value £'000	Value £'000	Accounting cost** £'000	Cumulative movement in value £'000	Value £'000	
Healthcare									
Shinfield Lodge Care Limited	35.3	50.0	6,425	4,088	10,513	5,400	1,329	6,729	2,760
Active Lives Care Limited	22.2	50.0	4,530	2,227	6,757	3,320	198	3,518	2,029
Ryefield Court Care Limited	23.6	50.0	3,540	2,124	5,664	2,287	122	2,409	2,002
Total investment in the healthcare sector			14,495	8,439	22,934	11,007	1,649	12,656	6,791
Hotels									
Kew Green VCT (Stansted) Limited	45.2	50.0	5,910	767	6,677	6,315	1,603	7,918	(837)
The Crown Hotel Harrogate Limited	24.1	50.0	4,245	(1,151)	3,094	4,245	(1,288)	2,957	137
The Stanwell Hotel Limited	39.2	50.0	5,069	(2,783)	2,286	5,069	(2,539)	2,530	(244)
Total investment in the hotel sector			15,224	(3,167)	12,057	15,629	(2,224)	13,405	(944)
Renewable energy									
Chonais River Hydro Limited	9.2	50.0	3,074	767	3,841	3,074	641	3,715	126
Earnside Energy Limited	9.5	50.0	1,531	112	1,643	509	36	545	76
Gharagain River Hydro Limited	11.5	50.0	1,363	162	1,525	1,363	487	1,850	(326)
The Street by Street Solar Programme Limited	6.5	50.0	675	372	1,047	676	279	955	93
Alto Prodotto Wind Limited	7.4	50.0	662	364	1,026	670	354	1,024	11
Infinite Ventures (Goathill) Limited	11.5	31.0	480	152	632	480	107	587	45
Regenerco Renewable Energy Limited	4.5	50.0	451	177	628	451	127	578	51
Dragon Hydro Limited	7.3	30.0	311	162	473	311	156	467	6
AVESI Limited	7.4	50.0	242	80	322	242	53	295	27
Greenenerco Limited	3.9	50.0	135	66	201	135	76	211	(9)
Total investment in the renewable energy sector			8,924	2,414	11,338	7,911	2,316	10,227	100
Education									
Radnor House School (Holdings) Limited	7.1	50.0	2,381	1,935	4,316	2,523	1,317	3,840	618
Total investment in the education sector			2,381	1,935	4,316	2,523	1,317	3,840	618
Pubs									
Bravo Inns II Limited	6.4	50.0	1,085	132	1,217	1,085	51	1,136	81
Bravo Inns Limited	7.6	50.0	751	(170)	581	751	(160)	591	(9)
Total investment in the pub sector			1,836	(38)	1,798	1,836	(109)	1,727	72
Other									
MHS 1 Limited (previously The Charnwood Pub Company Limited)	14.8	50.0	1,026	(2)	1,024	1,196	(156)	1,040	(16)
TWCL Limited (previously The Weybridge Club Limited)	14.3	50.0	1,083	(326)	757	2,242	(1,343)	899	(145)
Erin Solar Limited	18.6	50.0	520	(11)	509	520	(11)	509	–
Harvest AD Limited	–	–	307	–	307	307	–	307	–
G&K Smart Developments VCT Limited	42.9	50.0	276	(20)	256	276	(40)	236	20
Premier Leisure (Suffolk) Limited	9.9	47.4	175	(6)	169	175	(6)	169	–
Beddestead Farm Limited	8.0	50.0	8	–	8	–	–	–	–
Total other investments			3,395	(365)	3,030	4,716	(1,556)	3,160	(141)
Total fixed asset investments			46,255	9,218	55,473	43,622	1,393	45,015	6,496

* Albion Capital Group LLP

** Amounts shown as accounting cost represent the acquisition cost in the case of investments originally made by the Company and/or the fair value attributed to the investments acquired from Albion Prime VCT PLC on the Merger on 25 September 2012.

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

Portfolio of investments (continued)

Total change in value of investments for the year	6,496
Movement in loan stock accrued interest	(331)
Unrealised gains sub-total	6,165
Realised gain in current year	14
Total gains on investments as per Income statement	6,179

Fixed asset investment realisations during the year to 31 March 2017	Accounting cost* £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain on opening value £'000
Kew Green VCT (Stansted) Limited	405	405	405	-	-
Radnor House School (Holdings) Limited	142	142	142	-	-
Escrow adjustments***	-	-	14	14	14
Alto Prodotto Wind Limited	8	10	10	2	-
The Street by Street Solar Programme Limited	1	1	1	-	-
TWCL Limited (previously The Weybridge Club Limited)**	1,162	-	-	(1,162)	-
MHS 1 Limited (previously The Charnwood Pub Company Limited) **	170	-	-	(170)	-
Total	1,888	558	572	(1,316)	14

*The cost includes the original cost from Albion Venture Capital Trust PLC and the carried over value on merger from Albion Prime VCT PLC as at 25 September 2012.

**The accounting cost as shown above is after deducting realised losses of £1,162,000 for TWCL Limited (previously The Weybridge Club Limited) and £170,000 for MHS 1 Limited (previously The Charnwood Pub Company Limited) which are still held at the Balance sheet date.


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

Portfolio companies

The top ten investments by value are below.


The most recently audited results are included for each portfolio company where applicable. Valuations are often based upon the most recent information available, which may include management accounts. The audited results are therefore not necessarily the figures used for the valuation.

Shinfield Lodge Care Limited
The company owns and operates the 66 bedroom care home, Shinfield View, in Reading, which opened in April 2016.



Abbreviated results: year to 31 December 2015		Investment information	
£'000		£'000	
Net assets	1,090	Income recognised in the year	335
Basis of valuation:	Valuation supported by third party or desktop valuation	Total cost	6,425
Website:	www.shinfieldview.com	Total valuation	10,513
		Voting rights	35.3 per cent.
		Voting rights for all Albion managed companies	50.0 per cent.

Active Lives Care Limited
The company owns and operates the 75 bedroom care home, Cumnor Hill House, in Oxford, which opened in June 2016.




Abbreviated results: period to 31 December 2015		Investment information	
£'000		£'000	
Net assets	1,373	Income recognised in the year	437
Basis of valuation:	Valuation supported by third party or desktop valuation	Total cost	4,530
Website:	www.cumnorhillhouse.uk	Total valuation	6,757
		Voting rights	22.2 per cent.
		Voting rights for all Albion managed companies	50.0 per cent.

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.




Audited results: year to 31 August 2016		Investment information	
£'000		£'000	
Turnover	5,344	Income recognised in the year	334
EBITDA	1,170	Total cost	5,910
Profit before tax	427	Total valuation	6,677
Net assets	4,873	Voting rights	45.2 per cent.
Basis of valuation:	Valuation supported by third party or desktop valuation	Voting rights for all Albion managed or advised companies	50.0 per cent.
Website:	www.expressstanstedairport.co.uk		

Ryefield Court Care Limited
The company owns and operates the 60 bed care home, Ryefield court, in Hillingdon, Middlesex which opened in July 2016.



Abbreviated results: year to 30 April 2016		Investment information	
£'000		£'000	
Net assets	1,004	Income recognised in the year	179
Basis of valuation:	Valuation supported by third party or desktop valuation	Total cost	3,540
Website:	www.ryefieldcourt.uk	Total valuation	5,664
		Voting rights	23.6 per cent.
		Voting rights for all Albion managed companies	50.0 per cent.

Radnor House School (Holdings) Limited
Radnor House is a group of co-educational independent day schools with sites in South West London and near Sevenoaks in Kent. The group provides personalised education to students aged 5-18 and has the capacity to accommodate some 1,000 children.



Audited results: year to 31 August 2016		Investment information	
£'000		£'000	
Turnover	9,821	Income recognised in the year	176
EBITDA	1,009	Total cost	2,381
Loss before tax	(972)	Total valuation	4,316
Net assets	25,337	Voting rights	7.1 per cent.
Basis of valuation:	Valuation supported by third party or desktop valuation	Voting rights for all Albion managed companies	50.0 per cent.
Website:	www.radnorhouse.org		

Portfolio companies (continued)

Chonais River Hydro Limited

The company owns and operates a 2 megawatt hydro-power scheme in the Scottish Highlands.

Chonais Hydro

Audited results: year to 30 September 2016		Investment information	
	£'000		£'000
Turnover	–	Income recognised in the year	276
EBITDA	(11)	Total cost	3,074
Loss before tax	(11)	Total valuation	3,841
Net liabilities	(47)	Voting rights	9.2 per cent.
Basis of valuation:	Valuation supported by third party or desktop valuation	Voting rights for all Albion managed companies	50.0 per cent.

The Crown Hotel Harrogate Limited

The company acquired the historic 114 bedroom Crown Hotel in Harrogate, Yorkshire in November 2005. A substantial refurbishment was carried out and the hotel is once again recognised as one of the leading hotels in Harrogate.



Audited results: year to 31 March 2016		Investment information	
	£'000		£'000
Turnover	2,691	Income recognised in the year	58
EBITDA	335	Total cost	4,245
Loss before tax	(922)	Total valuation	3,094
Net liabilities	(8,362)	Voting rights	24.1 per cent.
Basis of valuation:	Valuation supported by third party or desktop valuation	Voting rights for all Albion managed or advised companies	50.0 per cent.
Website:	www.crownhotelharrogate.com		

The Stanwell Hotel Limited

The company acquired the 19 bedroom Stanwell Hall Hotel near Heathrow in August 2007. Planning consent was subsequently obtained to extend the hotel to 52 bedrooms and the hotel re-opened at the end of April 2010.



Audited results: year to 31 August 2016		Investment information	
	£'000		£'000
Turnover	1,311	Income recognised in the year	41
EBITDA	50	Total cost	5,069
Loss before tax	(838)	Total valuation	2,286
Net liabilities	(6,950)	Voting rights	39.2 per cent.
Basis of valuation:	Valuation supported by third party or desktop valuation	Voting rights for all Albion managed companies	50.0 per cent.
Website:	www.thestanwell.com		

Earnside Energy Limited

The Company owns and operates an anaerobic digestion and composting plant near Perth, Scotland.



Audited results: year to 31 December 2015		Investment information	
	£'000		£'000
Turnover	2,090	Income recognised in the year	112
EBITDA	1,609	Total cost	1,531
Profit before tax	743	Total valuation	1,643
Net assets	565	Voting rights	9.5 per cent.
Basis of valuation:	Valuation supported by third party or desktop valuation	Voting rights of all Albion managed companies	50.0 per cent.

Gharagain River Hydro Limited

The company operates a 1MW hydroelectricity plant near Ledgowan in Western Scotland.

Allt Gharagain

Audited results: year to 30 September 2016		Investment information	
	£'000		£'000
Turnover	–	Income recognised in the year	119
EBITDA	(5)	Total cost	1,363
Loss before tax	(5)	Total valuation	1,525
Net assets	197	Voting rights	11.5 per cent.
Basis of valuation:	Valuation supported by third party or desktop valuation	Voting rights for all Albion managed companies	50.0 per cent.
Website:	www.greenhighland.co.uk		

Net assets of portfolio companies where a recent third party valuation has taken place may have a higher valuation in Albion Venture Capital Trust PLC's accounts than in their own, where the portfolio 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 Venture Capital Trust PLC (the "Company") for the year ended 31 March 2017.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ('HMRC') as a venture capital trust in accordance with the Income Tax Act 2007 and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007 and further details of this can be found on page 21 of this Directors' report. Approval for the year ended 31 March 2017 is subject to review should there be any subsequent enquiry under corporation tax self-assessment.

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

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

Capital structure

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

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

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

Issue and buy-back of Ordinary shares

During the year the Company issued a total of 8,974,488 Ordinary shares (2016: 14,716,851), of which 8,221,867 Ordinary shares (2016: 14,107,902) were issued under the Albion VCTs Top Up Offers; and 752,621 Ordinary shares (2016: 608,949) were issued under the Company's Dividend Reinvestment Scheme. The Company engaged in the Albion VCTs Prospectus Top Up Offers 2016/2017 which closed on 9 February 2017, as it was fully subscribed having reached its £6m limit under the offer pursuant to the Prospectus dated 29 November 2016.

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

Substantial interests and shareholder profile

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

Future developments of the business

Details on the future developments of the business can be found on page 7 of the Chairman's statement and on page 9 of the Strategic report.

Results and dividends

Detailed information on the results and dividends for the year ended 31 March 2017 can be found in the Strategic report on pages 8 and 9.

Going concern

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

Directors' report (continued)

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

Post balance sheet events

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

Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 12 and 13 of the Strategic report.

Maintenance of VCT qualifying status

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

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

- (9) The Company's investment in another company must not be used to acquire another business, or shares in another company; and
- (10) The Company may only make qualifying investments or certain non-qualifying investments permitted by Section 274 of the Income Tax Act 2007.

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

'Qualifying holdings' include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the pie chart on page 8.

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

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

Environment

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

Global greenhouse gas emissions

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

Directors' report (continued)

Anti-bribery policy

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

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

Diversity

The Board currently consists of four male Directors. The Board's policy on the recruitment of new directors is to attract a range of backgrounds, skills and experience and to ensure that appointments are made on the grounds of merit against clear and objective criteria and to bear in mind gender and other diversity within the Board.

More details on the Directors can be found in the Board of Directors section on page 14.

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

Employees

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

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 32.

Directors' indemnity

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

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, David Watkins, John Kerr and Jeff Warren will retire and offer themselves for re-election as they have been Directors of the Company for more than nine years. The Board does not consider that the length of service reduces their ability to act independently of the Manager.

Advising ordinary retail investors

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

Auditor

The external audit was last put out to tender in 2007 when the current auditor, BDO LLP, was appointed for the year ended 31 March 2008. Following the implementation of EU Audit Reform, Albion Venture Capital Trust PLC is required to conduct a selection process for the appointment of the external auditor every 10 years. Accordingly, the Audit Committee has begun to undertake a selection process for the appointment of the external auditor for the financial year ending 31 March 2018 so as to ensure auditor independence and continued quality of judgement. The Company can confirm that there are no contractual obligations that restrict the Company's choice of external auditor.

The Directors expect to have completed the selection process by the date of the AGM and to appoint the auditor immediately after that. Resolution 7 in the notice of meeting gives authority to the Directors to make that appointment and resolution 8 authorises the Directors to agree the auditor's remuneration. Such appointment will continue until the next AGM.

Annual General Meeting

The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 11:00am on 14 August 2017. 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.capital/funds/AAVC under the "Financial Reports and Circulars section".

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

Directors' report (continued)

Continuation as a venture capital trust and amendment of Article 136

Ordinary resolution number 9 proposes the continuation of the Company as a venture capital trust. Under the Articles of Association of the Company, the Directors are required to procure that an ordinary resolution to approve the continuation of the Company as a venture capital trust is proposed at the Annual General Meeting in 2017 and every five years thereafter. The Directors consider that it is more usual in the VCT market for resolutions of this nature to be proposed every 10 years and accordingly resolution 10 in the Notice of AGM is a special resolution to amend Article 136 to provide for the continuation resolution to be proposed in 2027 and every 10 years thereafter.

Increase in Directors' aggregate remuneration

Ordinary resolution number 11 proposes that the limit for the overall level of Directors' remuneration under the Company's Articles of Association increases from £100,000 to £150,000 with effect from 1 September 2017. The Directors are currently paid director's fees aggregating £92,000 per annum. There is no current intention to increase individual Director's fees but the new level proposed under the Articles of Association provides extra flexibility in the case, for example, of additional Board members being appointed prior to the retirement of existing Directors.

Authority to allot shares

Ordinary resolution number 12 will request the authority to allot up to an aggregate nominal amount of £190,845 representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this report.

The Directors' current intention is to allot shares under the Dividend Reinvestment Scheme and any Albion VCTs Top Up Offers. The Company currently holds 8,263,188 Ordinary treasury shares which represents 8.8 per cent. of the total Ordinary share capital in issue as at 31 March 2017.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2016. The authority sought at the forthcoming 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 13 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 £190,845 of the nominal value of the share capital representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this Report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2016. The authority sought at the forthcoming 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.

Purchase of own shares

Special resolution number 14 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 14. Shares bought back under this authority may be cancelled.

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 2016 authority, which was on similar terms. During the financial year under review, the Company purchased 1,308,748 Ordinary shares for treasury of nominal value of £13,000 at an aggregate consideration of £873,000, including stamp duty, representing 1.4 per cent. of the issued share capital of the Company as at 31 March 2017. The maximum nominal value of treasury shares held during the year was £83,000.

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, whichever is earlier.

Treasury shares

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 resolution is intended to apply equally to shares to be held by the Company as treasury shares.

Special resolution number 15 will request the authority to permit Directors to sell treasury shares at the higher of the prevailing current share price and the price at which they were bought in at.

Directors' report (continued)

Recommendation

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

Disclosure of information to the 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 ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

For and on behalf of the Board

Albion Capital Group LLP

Company Secretary

1 King's Arms Yard
London, EC2R 7AF
27 June 2017

Statement of Directors' responsibilities

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

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

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

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

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

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

Website publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's webpage on the Manager's website (www.albion.capital/funds/AAVC) in accordance with legislation in the United Kingdom governing the preparation

and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's webpage is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

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

The Directors confirm to the best of their knowledge:

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

By Order of the Board

David Watkins

Chairman

27 June 2017

Statement of corporate governance

Background

The Financial Conduct Authority requires all companies listed on a regulated market to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the “Code”) issued by the Financial Reporting Council (“FRC”) in September 2014.

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

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance 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 independent 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.

David Watkins is the Chairman and Jeff Warren is the Senior Independent Director.

John Kerr is an external member of the Investment Committee of Albion Capital Group LLP. The Board has reviewed and approved this role and concluded it does not affect his independence.

David Watkins, John Kerr and Jeff Warren have all been Directors of the Company for more than nine years and, in accordance with the recommendations of the AIC code, are

subject to annual re-election. The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director’s length of service reduces his ability to act independently of the Manager.

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 14. Directors are provided with key information on the Company’s activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the 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 considered that its membership is diverse in relation to its experience and balance of skills. Further details on the policy regarding the recruitment of new directors can be found in the Nomination Committee section on page 29.

The Board met four times during the year as part of its regular programme of Board meetings. All of the Directors attended all meetings, except for David Watkins who was absent for one meeting. A sub-committee of the Board comprising at least two Directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the Albion VCTs Top Up Offers. A sub-committee of the Board also met during the year to approve the terms and contents of the Offer Documents under the Albion VCTs Prospectus Top Up Offers 2016/2017.

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.

Statement of corporate governance (continued)

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

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

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

Committees' and Directors' performance evaluation

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

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

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

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. Directors are subject to re-election every three years and Directors who have served longer than nine years and non-independent Directors, to re-election every year.

In light of the structured performance evaluation, David Watkins, John Kerr and Jeff Warren who are subject to re-election at the forthcoming Annual General Meeting, are considered to be effective Directors who demonstrate strong commitment to the role. The Board believes it to be in the best interest of the Company to re-elect these Directors at the forthcoming Annual General Meeting.

Remuneration Committee

Jeff Warren is Chairman of the Remuneration Committee and all of the Directors are members of this Committee. The Committee meets once a year and held one formal meeting during the year which was attended by all the Directors.

The terms of reference for the Remuneration Committee can be found on the Company's webpage on the Manager's website at www.albion.capital/funds/AAVC under the Corporate Governance section.

Audit Committee

The Audit Committee consists of all Directors and John Kerr is Chairman. In accordance with the Code, all members of the Audit Committee have recent and relevant financial experience and therefore it is considered appropriate for the whole Board to be part of the Audit Committee. The Committee met twice during the year ended 31 March 2017; all members attended all meetings, except for David Watkins who was absent for one meeting.

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

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

- formally reviewing the Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements and the associated announcements, with particular focus on the main

Statement of corporate governance (continued)

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

Financial Statements

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

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

The valuation of the Company's investments

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

Revenue recognition

The revenue generated from loan stock interest and dividend income has been considered by the Audit Committee as part of its review of the Annual Report as well as a quarterly review of the management accounts prepared by the Manager. The Audit Committee has considered the controls in place over revenue recognition to ensure that amounts received are in line with expectation and budget.

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

Relationship with the External Auditor

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

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

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

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

The core legislation mandates that the maximum period for which a firm can be appointed auditor of a public interest entity is 10 years. Member states can choose to make this period shorter, or they can choose to allow extensions: to 20

Statement of corporate governance (continued)

years if a competitive tender is held at the 10 year point, or to 24 years in the case of a joint audit appointment. Transition arrangements vary depending on the length of time auditors have been incumbent. BDO first acted as auditors for the year ended 31 March 2008 and therefore the last year BDO can act as auditor before a mandatory tender process is required is 31 March 2017. Accordingly, the Audit Committee has begun to undertake a selection process for the appointment of the external auditor for the financial year ending 31 March 2018 so as to ensure auditor independence and continued quality of judgement. The Company can confirm that there are no contractual obligations that restrict the Company's choice of external auditor. The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services.

Nomination Committee

The Nomination Committee consists of all Directors, with David Watkins as Chairman.

The Board's policy on the recruitment of new directors is to attract a range of backgrounds, skills and experience and to ensure that appointments are made on the grounds of merit against clear and objective criteria and bear in mind gender and other diversity within the Board.

The nomination committee did not meet during the year.

The terms of reference for the Nomination Committee can be found on the Company's webpage on the Manager's website at www.albion.capital/funds/AAVC under the Corporate Governance section.

Internal control

In accordance with the UK Corporate Governance Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the FRC guidance "Risk Management, Internal Control and Related Financial and Business Reporting". The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, acknowledging that such a system is designed to manage, rather than eliminate, the risks of failure to achieve the Company's business objectives, such controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Audit Committee, monitors all controls, including financial, operational and compliance controls, and risk management. The Audit Committee

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

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

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

- segregation of duties between the preparation of valuations and recording in accounting records;
- independent third party valuations of the majority of the asset-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 Capital Group LLP;
- bank and stock reconciliations are carried out monthly by the Manager in accordance with the FCA requirements;
- all published financial reports are reviewed by Albion Capital Group LLP Compliance department;
- the Board reviews financial information; and
- a separate Audit Committee of the Board reviews financial information due to be published.

As the Board has delegated the investment management and administration to Albion Capital Group LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, it has access to PKF Littlejohn LLP, which, as internal auditor for Albion Capital Group LLP undertakes periodic examination of the business processes and controls environment at Albion Capital Group LLP, and ensures that any recommendations to implement improvements in controls are carried out. During the year, the Audit Committee and the Board reviewed internal audit reports prepared by PKF Littlejohn LLP. The Board and the Audit Committee will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Statement of corporate governance (continued)

Conflicts of interest

Directors review the disclosure of conflicts of interest annually, with 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 20 and 23 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 14 August 2017 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

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

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

Statement of compliance

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

By order of the Board

David Watkins

Chairman
27 June 2017

Directors' remuneration report

Introduction

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

Ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 14 August 2017 for the approval of the Directors' Remuneration Policy and the Annual Remuneration Report as set out below.

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

Annual statement from the Chairman of the Remuneration Committee

The Remuneration Committee comprises all of the Directors with Jeff Warren as Chairman.

The Remuneration Committee met once during the year to review Directors' responsibilities and salaries against the market and concluded that the current level of remuneration, which was increased in 2015, remained appropriate and so proposed no increase for the forthcoming year.

Directors' remuneration policy

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

This policy was last voted on at the 2014 Annual General Meeting where 98.0 per cent. of shareholders voted for the resolution approving the Directors' Remuneration Policy which shows significant Shareholder support.

The maximum level of non-executive Directors' remuneration is £100,000 per annum which is fixed by the Company's Articles of Association. To allow for additional Board members being appointed prior to the retirement of existing Directors, it is intended that the maximum level of non-executive Directors' remuneration is increased so as not to exceed £150,000 per annum in aggregate with effect from 1 September 2017. There is no current intention to increase existing Director's fees. This will be proposed as an ordinary resolution at the forthcoming Annual General Meeting. Details regarding this proposed change can be seen on page 23 of the Directors' report.

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. In accordance with the recommendations of the AIC Code, Directors who have served the Company for longer than nine years are subject to annual re-election, and any non-independent Directors are also subject to annual re-election. At the forthcoming Annual General Meeting David Watkins, John Kerr and Jeff Warren will retire and be proposed for re-election.

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

Shareholders' views in respect of Directors' remuneration are regarded highly and the Board encourages Shareholders' to attend its Annual General Meeting in order to communicate their thoughts, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 97.9 per cent. of shareholders voted for the resolution approving the Directors' Remuneration Report which shows significant Shareholder support.

Annual report on remuneration

The remuneration of individual Directors' is determined by the Remuneration Committee within the framework set by the Board.

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

Directors' remuneration

The following items have been audited.

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

	2017 £'000	2016 £'000
D J Watkins	24	21
J M B L Kerr	24	24
J Warren	22	21
E Dinesen	22	21
	<u>92</u>	<u>87</u>

Directors' remuneration report (continued)

Subject to the passing of resolution 11, the Directors' remuneration for the year ending 31 March 2018 is expected to be £114,000.

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

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

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £7,052 (2016: £7,683).

Directors' interests

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

	31 March 2017	31 March 2016
	(Number of shares)	(Number of shares)
D J Watkins	10,000	10,000
J M B L Kerr	13,109	13,109
J Warren	20,000	20,000
E Dinesen	36,552	25,426

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

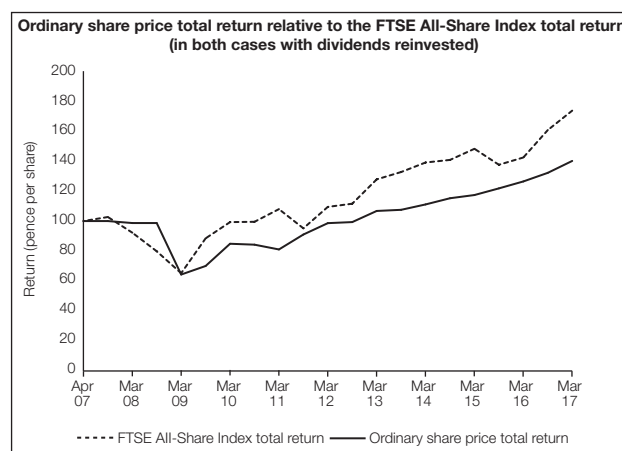
The following items have not been audited.

Albion Capital Group LLP, its Partners and staff hold a total of 304,941 shares in the Company as at 31 March 2017.

Performance graph

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

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



Source: Albion Capital Group LLP

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

Directors' pay compared to distribution to shareholders

	2017	2016	Percentage change
	£'000	£'000	
Total dividend distribution to shareholders	3,964	3,571	11.0%
Share buybacks	873	733	19.1%
Total Directors fees	92	87	5.7%

By Order of the Board

David Watkins

Director

27 June 2017

Independent Auditor's report to the Members of Albion Venture Capital Trust PLC

Our opinion on the Financial Statements

In our opinion the Albion Venture Capital Trust plc Financial Statements for the year ended 31 March 2017, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice):

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

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

What our opinion covers

Our audit opinion on the Financial Statements covers the:

- Income Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- related notes

Respective responsibilities of Directors and auditor

As explained more fully in the report of the Directors, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

A description of the scope of an audit of Financial Statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

An overview of the scope of the audit including our assessment of the risk of material misstatement

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

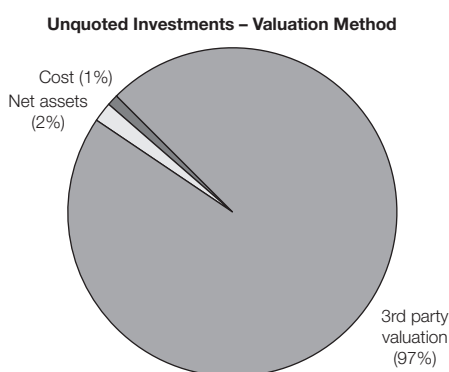
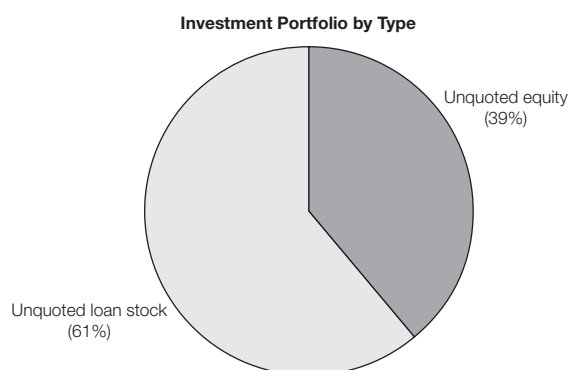
The valuation of investments and revenue recognition were the risks that had the greatest impact on our audit strategy and scope, including the allocation of resources in the audit.

Investments

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Manager, who is remunerated based on the net asset value of the Company.

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument type and valuation method is shown below.

Independent Auditor's report to the Members of Albion Venture Capital Trust PLC (continued)



We tested a sample of 91% of the unquoted investment portfolio.

3% of the unquoted portfolio is based on valuations using net assets or cost (where the investment was recently acquired). For such investments, we verified the cost or net assets to supporting documentation and reviewed the Manager's determination of whether there were any reasons why the valuation and the valuation methodology did not remain appropriate at 31 March 2017.

The remaining 97% of the portfolio is valued with reference to more subjective techniques, and are supported by a third party valuation: 18% using discounted cash flows and 79% using earnings multiples.

For detailed testing we:

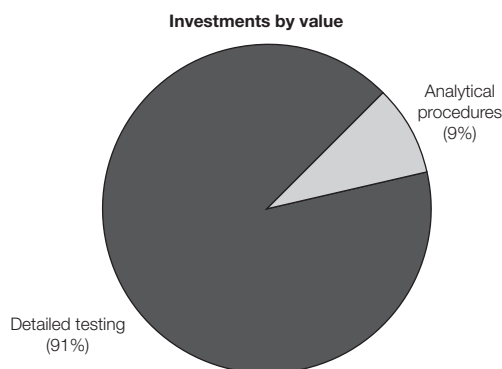
- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines.
- Re-performed the calculation of the multiples based investment valuations.
- Where a valuation has been performed by a third party, we assessed management's expert, the quality of their work and their qualifications, as well as challenged the basis of inputs and assumptions used by the expert, as well as any updates to the valuation made by the manager.
- Verified and benchmarked key inputs and estimates to independent information and our own research.
- Challenged the assumptions inherent in the valuation of unquoted investments, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements.
- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation.
- Considered the need to develop our own point estimate where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

Independent Auditor's report to the Members of Albion Venture Capital Trust PLC (continued)

For a risk-weighted sample of loans held at fair value, we:

- Vouched security held to documentation.
- Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept.
- Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP.

The chart below depicts the coverage of our audit work across the entire portfolio:



Revenue

Revenue consists of dividends receivable from the portfolio companies and interest earned on loans to portfolio companies and cash balances. Revenue recognition is a significant audit risk as it is one of the key drivers of dividend returns to investors. In particular, in unquoted companies, dividends receivable can be difficult to predict.

We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.

We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income, considering management information relevant to the ability of the portfolio Company to service the loan and the reasons for any arrears of loan interest.

In respect of dividends receivable, we compared actual income to expectations set based on independent published data or management information from the investee company on dividends declared by the portfolio companies held. We tested the categorisation of dividends received from the portfolio companies between the revenue and capital.

The audit committee's consideration of their key issues is set out on pages 27 and 28.

Materiality in context

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

Independent Auditor's report to the Members of Albion Venture Capital Trust PLC (continued)

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality – Based on 2% of invested assets	Assessing whether the Financial Statements as a whole present a true and fair view	<ul style="list-style-type: none"> ● The value of investments ● The level of judgement inherent in the valuation ● The range of reasonable alternative valuation 	1,110,000
Specific materiality – classes of transactions and balances which impact on revenue profits – Based on 10% of the revenue return before tax	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the Financial Statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements	<ul style="list-style-type: none"> ● The level of net income return 	180,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £13,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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.

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

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

Statement regarding the Directors' assessment of principal risks, going concern and longer term viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor's report to the Members of Albion Venture Capital Trust PLC (continued)

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

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

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 20, in relation to going concern and on page 13 in relation to longer-term viability; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor in accordance with Listing Rule 9.8.10 R(2).

We have nothing to report in respect of these matters.

Vanessa-Jayne Bradley (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

27 June 2017

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

Income statement

	Note	Year ended 31 March 2017			Year ended 31 March 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	6,179	6,179	–	3,203	3,203
Investment income	4	2,381	–	2,381	2,236	–	2,236
Investment management fees	5	(283)	(848)	(1,131)	(246)	(739)	(985)
Other expenses	6	(296)	–	(296)	(287)	–	(287)
Profit on ordinary activities before tax		1,802	5,331	7,133	1,703	2,464	4,167
Tax (charge)/credit on ordinary activities	8	(292)	170	(122)	(300)	148	(152)
Profit and total comprehensive income attributable to shareholders		1,510	5,501	7,011	1,403	2,612	4,015
Basic and diluted return per share (pence)*	10	1.9	6.8	8.7	2.0	3.6	5.6

* excluding treasury shares

The accompanying notes on pages 42 to 54 form an integral part of these Financial Statements.

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

Balance sheet

	Note	31 March 2017 £'000	31 March 2016 £'000
Fixed asset investments	11	55,473	45,015
Current assets			
Trade and other receivables less than one year	13	140	2,139
Cash and cash equivalents		10,496	10,330
		10,636	12,469
Total assets		66,109	57,484
Creditors: amounts falling due within one year			
Trade and other payables less than one year	14	(634)	(529)
Total assets less current liabilities		65,475	56,955
Equity attributable to equityholders			
Called up share capital	15	951	861
Share premium		24,630	18,374
Capital redemption reserve		7	7
Unrealised capital reserve		8,623	1,128
Realised capital reserve		8,743	10,737
Other distributable reserve		22,521	25,848
Total equity shareholders' funds		65,475	56,955
Basic and diluted net asset value per share (pence)*	16	75.4	72.0

* excluding treasury shares

The accompanying notes on pages 42 to 54 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and authorised for issue on 27 June 2017, and were signed on its behalf by

David Watkins
Chairman

Company number: 03142609

Statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 April 2016	861	18,374	7	1,128	10,737	25,848	56,955
Return/(loss) and total comprehensive income for the year	-	-	-	6,165	(664)	1,510	7,011
Transfer of previously unrealised gains/(losses) on realisations of investments	-	-	-	1,330	(1,330)	-	-
Purchase of treasury shares	-	-	-	-	-	(873)	(873)
Issue of equity	90	6,422	-	-	-	-	6,512
Cost of issue of equity	-	(166)	-	-	-	-	(166)
Net dividends paid (note 9)	-	-	-	-	-	(3,964)	(3,964)
As at 31 March 2017	951	24,630	7	8,623	8,743	22,521	65,475

As at 1 April 2015	714	8,228	7	(2,269)	11,522	28,726	46,928
Return and total comprehensive income for the year	-	-	-	2,343	269	1,403	4,015
Transfer of previously unrealised gains/(losses) on realisations of investments	-	-	-	1,054	(1,054)	-	-
Purchase of treasury shares	-	-	-	-	-	(733)	(733)
Issue of equity	147	10,423	-	-	-	-	10,570
Cost of issue of equity	-	(277)	-	-	-	-	(277)
Net dividends paid (note 9)	-	-	-	-	-	(3,549)	(3,549)
As at 31 March 2016	861	18,374	7	1,128	10,737	25,848	56,955

* These reserves amount to £31,264,000 (2016: £36,585,000) which is considered distributable.

Statement of cash flows

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Cash flow from operating activities		
Loan stock income received	1,941	2,028
Deposit interest received	69	115
Dividend income received	45	81
Investment management fees paid	(1,091)	(938)
Other cash payments	(302)	(273)
Corporation tax paid	(127)	(99)
Net cash flow from operating activities	535	915
Cash flow from investing activities		
Purchase of fixed asset investments	(4,521)	(6,430)
Disposal of fixed asset investments	572	2,786
Net cash flow from investing activities	(3,949)	(3,644)
Cash flow from financing activities		
Issue of share capital*	7,809	7,886
Cost of issue of equity	(2)	(2)
Dividends paid	(3,424)	(3,094)
Purchase of own shares (including costs)	(803)	(733)
Net cash flow from financing activities	3,580	4,057
Increase in cash and cash equivalents	166	1,328
Cash and cash equivalents at start of period	10,330	9,002
Cash and cash equivalents at end of period	10,496	10,330
Cash and cash equivalents comprise		
Cash at bank and in hand	10,496	10,330
Cash equivalents	-	-
Total cash and cash equivalents	10,496	10,330

*An amount of £1,988,000 relating to shares subscribed and allotted on 31 March 2016 was received during the current year.

Notes to the Financial Statements

1. Basis of preparation

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

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

Information about the Company can be found on page 2.

2. Accounting policies

Fixed asset investments

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

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

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

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

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;
- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the IPEVCV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has

elapsed since the date of the most recent transaction, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate a diminution include:

- the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
- a significant adverse change either in the portfolio company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
- market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

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

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

Investment income

Equity income

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

Unquoted loan stock and other preferred income

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

Bank interest income

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Investment management fees and other expenses

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

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

Performance incentive fee

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

Taxation

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

Deferred tax is provided in full on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. As a VCT the Company has an exemption from tax on capital gains. The Company intends to continue meeting the conditions required to obtain approval as a VCT in the foreseeable future. The Company therefore, should have no material deferred tax timing differences arising in respect of the revaluation or disposal of investments and the Company has not provided for any deferred tax.

Reserves

Share premium account

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

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

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

Other distributable reserve

The Special reserve, Treasury share reserve and the Revenue reserve were combined in 2012 to form a single reserve named other distributable reserve.

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

Dividends

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

Segmental reporting

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

Notes to the Financial Statements (continued)

3. Gains on investments

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Unrealised gains on fixed asset investments	6,165	2,343
Realised gains on fixed asset investments	14	860
Gains on investments	6,179	3,203

4. Investment income

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Income recognised on investments		
Loan stock interest and other fixed returns	2,277	2,039
Dividend income	45	81
Bank deposit interest	59	116
	2,381	2,236

Interest income earned on impaired investments at 31 March 2017 amounted to £120,000 (2016: £208,000).

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

5. Investment management fees

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Investment management fee charged to revenue	283	246
Investment management fee charged to capital	848	739
	1,131	985

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on page 11.

During the year, services of a total value of £1,180,000 (2016: £1,033,000), were purchased by the Company from Albion Capital Group LLP; this includes £1,131,000 (2016: £985,000) of investment management fee and £49,000 (2016: £48,000) secretarial and administration fee. At the financial year end, the amount due to Albion Capital Group LLP in respect of these services disclosed within accruals and deferred income was £323,000 (2016: £282,000).

As at 31 March 2017 Albion Capital Group LLP holds 25,096 Ordinary shares in the Company.

6. Other expenses

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Directors' fees (inc. NIC)	100	93
Secretarial and administration fee	49	48
Auditor's remuneration for statutory audit services (exc. VAT)	26	27
Other administrative expenses	121	119
	296	287

Notes to the Financial Statements (continued)

7. Directors' fees

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

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Directors' fees	92	87
National insurance	8	6
	100	93

The Company's key management personnel are the Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on page 31.

8. Tax charge/(credit) on ordinary activities

	Year ended 31 March 2017			Year ended 31 March 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	351	(170)	181	324	(148)	176
UK corporation tax in respect of prior year	(59)	-	(59)	(24)	-	(24)
Total	292	(170)	122	300	(148)	152

Factors affecting the tax charge:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Return on ordinary activities before taxation	7,133	4,167
Tax on profit at the standard rate of 20% (2016: 20%)	1,426	833
Factors affecting the charge:		
Non-taxable gains	(1,236)	(640)
Income not taxable	(9)	(17)
Consortium relief in respect of prior years	(59)	(24)
	122	152

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

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

Notes

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

Notes to the Financial Statements (continued)

9. Dividends

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
First dividend paid on 31 July 2015 – 2.5 pence per share	–	1,789
Second dividend paid on 31 December 2015 – 2.5 pence per share	–	1,782
First dividend paid on 29 July 2016 – 2.5 pence per share	1,987	–
Second dividend paid on 30 December 2016 – 2.5 pence per share	1,986	–
Unclaimed dividends	(9)	(22)
	3,964	3,549

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2018 of 2.5 pence per share. This dividend will be paid on 31 July 2017 to shareholders on the register on 7 July 2017. The total dividend will be approximately £2,179,000. All dividends are paid out of revenue from the other distributable reserve.

During the year, unclaimed dividends older than twelve years of £9,000 (2016: £22,000) were returned to the Company in accordance with the terms of the Articles of Association.

10. Basic and diluted return per share

	Year ended 31 March 2017			Year ended 31 March 2016		
	Revenue	Capital	Total	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return attributable to equity shares (£'000)	1,510	5,501	7,011	1,403	2,612	4,015
Weighted average shares in issue (excluding treasury shares)		80,525,974			72,020,718	
Return attributable per equity share (pence)	1.9	6.8	8.7	2.0	3.6	5.6

The weighted average number of shares is calculated excluding treasury shares of 8,263,188 (2016: 6,954,440).

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

	31 March 2017 £'000	31 March 2016 £'000
Investments held at fair value through profit or loss		
Unquoted equity	21,900	15,163
Unquoted loan stock	33,573	29,852
	55,473	45,015

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

	31 March 2017 £'000	31 March 2016 £'000
Opening valuation	45,015	38,229
Purchases at cost	4,521	6,430
Disposal proceeds	(572)	(2,852)
Realised gains	14	860
Movement in loan stock accrued income	331	4
Unrealised gains	6,165	2,343
Closing valuation	55,473	45,015
Movement in loan stock accrued income		
Opening accumulated movement in loan stock accrued income	265	261
Movement in loan stock accrued income	331	4
Closing accumulated movement in loan stock accrued income	596	265
Movement in unrealised gains/(losses)		
Opening accumulated unrealised losses	1,128	(2,269)
Transfer of previously unrealised losses to realised reserve on realisations of investments	1,330	1,054
Unrealised gains	6,165	2,343
Closing accumulated unrealised gains	8,623	1,128
Historic cost basis		
Opening book cost	43,622	40,239
Purchases at cost	4,521	6,430
Sales at cost*	(1,888)	(3,047)
Closing book cost*	46,255	43,622

*Included in the sales at cost is the cost after deducting realised losses of £1,162,000 for TWCL Limited (previously The Weybridge Club Limited) and £170,000 for MHS 1 Limited (previously The Charnwood Pub Company Limited) which are still held at the Balance sheet date.

The Company does not hold any assets as a 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.

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

	31 March 2017 £'000	31 March 2016 £'000
Valuation methodology		
Cost (reviewed for impairment)	823	6,743
Valuation supported by third party or desktop valuation	54,650	38,272
	55,473	45,015

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

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

Change in valuation methodology (2016 to 2017)	Value as at 31 March 2017 £'000	Explanatory note
Cost (reviewed for impairment) to Valuation supported by third party or desktop valuation	9,113	Third party valuation has recently taken place

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

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

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

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

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

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

	31 March 2017			31 March 2016		
	Equity £'000	Unquoted loan stock £'000	Total £'000	Equity £'000	Unquoted loan stock £'000	Total £'000
Opening balance	15,163	29,852	45,015	10,442	27,787	38,229
Additions	896	3,625	4,521	1,684	4,746	6,430
Disposal proceeds	(14)	(558)	(572)	(721)	(2,131)	(2,852)
Debt/equity swap	150	(150)	–	–	–	–
Accrued loan stock interest	–	331	331	–	4	4
Realised gains	14	–	14	722	138	860
Unrealised gains	5,691	474	6,165	3,036	(693)	2,343
Closing balance	21,900	33,573	55,473	15,163	29,852	45,015

FRS 102 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. 61 per cent. of the portfolio of investments is based on cost or is loan stock, and as such the Board considers that the assumptions used for their valuations are the most reasonable. The Directors believe that changes to reasonable possible alternative assumptions for the valuations of the remainder of the portfolio companies could result in an increase in the valuation of investments by £791,000 or a decrease in the valuation of investments by £834,000. For valuations based on third party valuations, the Board considers that the most significant inputs are earnings multiples and market value per room for care homes; which have been adjusted to drive the above sensitivities.

Notes to the Financial Statements (continued)

12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the portfolio company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio companies as at 31 March 2017 as described below:

Company	Country of incorporation	Profit/(loss) before tax £'000	Net assets/(liabilities) £'000	Results for year ended:	% class and share type	% total voting rights
Kew Green VCT (Stansted) Limited	Great Britain	427	4,873	31 August 2016	45.2% Ordinary	45.2%
G&K Smart Development VCT Limited	Great Britain	n/a*	319	31 December 2015	42.9% Ordinary	42.9%
The Stanwell Hotel Limited	Great Britain	(838)	(6,950)	31 August 2016	39.2% Ordinary	39.2%
Shinfield Lodge Care Limited	Great Britain	n/a*	1,090	31 December 2015	35.3% Ordinary	35.3%
The Crown Hotel Harrogate Limited	Great Britain	(922)	(8,362)	31 March 2016	24.1% Ordinary	24.1%
Ryefield Court Care Limited	Great Britain	n/a*	1,004	30 April 2016	23.6% Ordinary	23.6%
Active Lives Care Limited	Great Britain	n/a*	1,373	31 December 2015	22.2% Ordinary	22.2%

*The company files abbreviated accounts which do not disclose this information.

13. Current assets

	31 March 2017 £'000	31 March 2016 £'000
Trade and other receivables		
Prospectus Top Up Offers proceeds*	–	1,988
Other receivables	96	112
UK corporation tax receivable	35	24
Prepayments and accrued income	9	15
	140	2,139

*This relates to shares subscribed and allotted on 31 March 2016 with monies received after that date.

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

14. Creditors: amounts falling due within one year

	31 March 2017 £'000	31 March 2016 £'000
Trade payables	78	18
UK Corporation tax payable	181	176
Accruals and deferred income	375	335
	634	529

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

Notes to the Financial Statements (continued)

15. Called up share capital

	£'000
Allotted, called up and fully paid	
86,081,939 Ordinary shares of 1 penny each at 31 March 16	861
8,974,488 Ordinary shares of 1 penny each issued during the year	90
	951
95,056,427 Ordinary shares of 1 penny each at 31 March 2017	
6,954,440 Ordinary shares of 1 penny each held in treasury at 31 March 2016	(70)
1,308,748 Ordinary shares purchased during the year to be held in treasury	(13)
	(83)
8,263,188 Ordinary shares of 1 penny each held in treasury at 31 March 2017	
86,793,239 Ordinary shares of 1 penny each in circulation* at 31 March 2017	868

* Carrying one vote each

The Company purchased 1,308,748 Ordinary shares (2016: 1,113,000) to be held in treasury at a nominal value of £13,000 and a cost of £873,000 (2016: £733,000) representing 1.4 per cent. of its issued share capital as at 31 March 2017. The shares purchased for treasury were funded from the other distributable reserve.

The Company holds a total of 8,263,188 shares (2016: 6,954,440) in treasury at a nominal value of £83,000, representing 8.7 per cent. of the issued Ordinary share capital as at 31 March 2017.

Under the terms of the Dividend Reinvestment Scheme Circular dated 10 July 2008, the following new Ordinary shares of nominal value 1 penny per share were allotted during the year:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Net invested £'000	Issue price (pence per share)	Opening market price on allotment date (pence per share)
29 July 2016	374,773	4	259	69.5	66.5
30 December 2016	377,848	4	265	70.4	67.9
	752,621	8	524		

During the year the following new Ordinary shares were allotted under the Albion VCTs Prospectus Top Up Offers 2015/2016 and the Albion VCTs Prospectus Top Up Offers 2016/2017:

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 on allotment date (pence per share)
6 April 2016	107,001	1	76	72.8	66.5
6 April 2016	245,265	2	173	72.0	66.5
6 April 2016	9,897	–	7	72.4	66.5
31 January 2017	1,516,754	15	3,307	71.9	67.0
31 January 2017	542,522	5	1,069	72.3	67.0
31 January 2017	4,695,695	47	382	72.6	67.0
28 March 2017	1,104,733	11	807	75.3	68.0
	8,221,867	82	5,821		

16. Basic and diluted net asset value per share

	31 March 2017	31 March 2016
Basic and diluted net asset value per share (pence)	75.4	72.0

The basic and diluted net asset value per share at the year end are calculated in accordance with the Articles of Association and are based upon total shares in issue (less treasury shares) of 86,793,239 Ordinary shares (2016: 79,127,499).

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

Notes to the Financial Statements (continued)

17. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 15. The Company is permitted to buy-back its own shares for cancellation or treasury purposes, and this is described in more detail on page 7 of the Chairman's statement.

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

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.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and to provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk.

By its nature, the Company has an amount of capital, at least 70 per cent. (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the levels of liabilities are small and the management of them is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

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 investments, details of which are shown on page 16. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio company and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of portfolio companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the balance sheet date is the value of the fixed investment portfolio which is £55,473,000 (2016: £45,015,000). Fixed asset investments form 85 per cent. of the net asset value as at 31 March 2017 (2016: 79 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 page 16 and in the Strategic report.

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

Notes to the Financial Statements (continued)

17. Capital and financial instruments risk management (continued)

As required under FRS 102 section 34.29, the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed 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 by £5,547,000 (2016: £4,502,000).

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 £74,000 (2016: £122,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average effective interest rate applied to the Company's fixed rate assets during the year was approximately 7.0 per cent. (2016: 6.7 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 4.6 years (2016: 4.7 years).

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

	31 March 2017				31 March 2016			
	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	-	-	21,900	21,900	-	-	15,163	15,163
Unquoted loan stock*	32,987	279	307	33,573	29,116	279	457	29,852
Receivables **	-	-	96	96	-	-	2,110	2,110
Current liabilities**	-	-	(452)	(452)	-	-	(353)	(353)
Cash	-	10,496	-	10,496	-	10,330	-	10,330
	32,987	10,775	21,851	65,613	29,116	10,609	17,377	57,102

*Including convertible loan stock and debt issued at a discount

** The receivables and current liabilities do not reconcile to the Balance sheet as prepayments and tax receivable/(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 receivables, investment in unquoted loan stock, and through the holding of cash on deposit with banks.

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

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

The Company's total gross credit risk as at 31 March 2017 was limited to £33,573,000 (2016: £29,852,000) of unquoted loan stock instruments (all of which is secured on the assets of the portfolio company), £10,496,000 cash deposits with banks (2016: £10,330,000) and £96,000 of other receivables (2016: £2,100,000).

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

The Company has an informal policy of limiting counterparty banking and floating rate note exposure to a maximum of 20 per cent. of net asset value for any one counterparty.

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

Notes to the Financial Statements (continued)

17. Capital and financial instruments risk management (continued)

Liquidity risk

Liquid assets are held as cash on current short term deposit 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 £6,330,000 as at 31 March 2017 (2016: £5,497,000).

The Company has no committed borrowing facilities as at 31 March 2017 (2016: £nil) and had cash balances of £10,496,000 (2016: £10,330,000). The main cash outflows are for new investments, buy-back of shares and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. All the Company's financial liabilities are short term in nature and total £634,000 for the year to 31 March 2017 (2016: £529,000).

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

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	4,498	7,326	426	12,250
1-2 years	417	–	–	417
2-3 years	4,541	–	–	4,541
3-5 years	5,334	416	978	6,728
Greater than 5 years	6,719	–	2,918	9,637
Total	21,509	7,742	4,322	33,573

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

The average annual interest yield on the total cost of past due loan stock is 11.2 per cent. (2016: 12.1 per cent.).

Impaired loan stock has a cost of £10,145,000 (2016: £11,065,000).

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

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	4,875	7,732	383	12,990
1-2 years	101	–	–	101
2-3 years	407	–	–	407
3-5 years	7,693	292	105	8,090
Greater than 5 years	5,437	–	2,827	8,264
Total	18,513	8,024	3,315	29,852

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

Fair values of financial assets and financial liabilities

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

18. Commitments and contingencies

The Company had no financial commitments in respect of investments at 31 March 2017.

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

Notes to the Financial Statements (continued)

19. Post balance sheet events

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

- Investment of £228,000 in G. Network Communications Limited.

In addition, TWCL Limited (previously The Weybridge Club Limited) disposed of its business and assets.

New Ordinary shares issued under the Albion VCTs Prospectus Top Up Offers 2016/2017:

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 on allotment date (pence per share)
7 April 2017	52,543	1	38	74.5	68.0
7 April 2017	29,427	–	22	74.9	68.0
7 April 2017	284,008	3	207	75.3	68.0
	<u>365,978</u>	<u>4</u>	<u>267</u>		

20. Related party transactions

Other than transactions with the Manager as disclosed in note 5, there are no related party transactions or balances requiring disclosure.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Venture Capital Trust PLC (the “Company”) will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 14 August 2017 at 11:00 am for the following purpose:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 9 and 11 and 12 will be proposed as ordinary resolutions and numbers 10 and 13 to 15 as special resolutions.

Ordinary Business

1. To receive and adopt the Company’s accounts for the year ended 31 March 2017 together with the report of the Directors and Auditor.
2. To approve the Directors’ remuneration policy for the year ended 31 March 2017.
3. To approve the Directors’ remuneration report for the year ended 31 March 2017.
4. To re-elect David Watkins as a Director of the Company.
5. To re-elect John Kerr as a Director of the Company.
6. To re-elect Jeff Warren as a Director of the Company.
7. To authorise the Directors to appoint an auditor of the Company following the completion of the selection process for the appointment of an external auditor.
8. To authorise the Directors to agree the Auditor’s remuneration.

Special Business

9. Continuation as a venture capital trust

To continue as a venture capital trust until the Annual General Meeting of the Company in 2027, subject to the passing of resolution number 10.

10. Amendment of Article 136

That existing Article 136 in the Articles of Association of the Company be deleted and the following new Article 136 be inserted “At the Annual General Meeting of the Company in 2027 and, if the Company has not been wound-up or unitised or re-organised at each tenth Annual General Meeting of the Company thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue in being as a venture capital trust.”

11. Increase in Directors’ aggregate remuneration

That under Article 79 of the Articles of the Company, the authority for the total amount of the ordinary remuneration that all Directors may be paid should be increased to an amount not exceeding £150,000 per year in aggregate.

12. Authority to allot shares

That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) to allot shares of nominal value 1 penny per share in the Company up to an aggregate nominal amount of £190,845 representing approximately 20 per cent. of the total Ordinary share capital, provided that this authority shall expire 18 months from the date that this resolution is passed, 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.

13. Authority for the disapplication of pre-emption rights

That, subject to the authority and conditional on the passing of resolution number 12, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 12 and/or sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale.

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

Notice of Annual General Meeting (continued)

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

14. Authority to purchase own shares

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 aggregate number of shares hereby authorised to be purchased is 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
- (b) the minimum price which may be paid for a share shall be 1 penny (exclusive of expenses);
- (c) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of (i) 105 per cent. of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and
- (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire 18 months from the date that this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

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

15. Authority to sell treasury shares

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

By order of the Board

Albion Capital Group LLP

Company Secretary

Registered office

1 King's Arms Yard

London, EC2R 7AF

27 June 2017

Albion Venture Capital Trust PLC is registered in England and Wales with number 03142609

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 Pavilion, Bridgwater Road, Bristol, BS99 6ZZ;
 - going to www.investorcentre.co.uk and following the instructions provided there; or
 - by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

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

To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 11.00 am on 10 August 2017.

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

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

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 11.00 am on 10 August 2017 (or, in the event of any adjournment, on the date which is two working 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 11.00am on 10 August 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion.capital/funds/AAVC under the “Fund reports” section.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the Articles of Association will be available for inspection at the Company’s registered office from the date

Notice of Annual General Meeting (continued)

of the Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.

9. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with section 527 and 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.
10. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.
11. Members satisfying the thresholds in Section 388A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.
A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.
12. As at 23 June 2017 being the latest practicable date prior to the publication of this Notice, the Company's issued share capital consists of 95,422,405 Ordinary shares with a nominal value of 1 penny each. The Company also holds 8,263,188 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 23 June 2017 are 87,159,217.

Dividend history for Albion Venture Capital Trust PLC 'C Shares' (unaudited)

Total shareholder return to 31 March 2017		C shares (pence per share)
Total dividends paid during the year ended:	31 March 1998	2.00
	31 March 1999	8.75
	31 March 2000	2.70
	31 March 2001	4.80
	31 March 2002	7.60
	31 March 2003	7.70
	31 March 2004	8.20
	31 March 2005	9.75
	31 March 2006	11.75
	31 March 2007	10.00
	31 March 2008	10.00
	31 March 2009	10.00
	31 March 2010	5.00
	31 March 2011	5.00
	31 March 2012	5.00
	31 March 2013	5.00
	31 March 2014	5.00
	31 March 2015	5.00
	31 March 2016	5.00
	31 March 2017	5.00
Total dividends paid to 31 March 2017		133.25
Net asset value as at 31 March 2017		75.40
Total shareholder return to 31 March 2017		208.65

Notes

- 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.
- All dividends paid by the Company are free of income tax. It is an H.M. Revenue & Customs requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- The Ordinary Shares and the C Shares merged on an equal basis.

Dividend history for Albion Prime VCT PLC now merged with Albion Venture Capital Trust PLC (unaudited)

Total proforma shareholder return to 31 March 2017		Proforma Albion Prime VCT PLC (pence per share)
Total dividends paid during the year ended:	31 March 1998	1.10
	31 March 1999	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
	31 March 2013	3.70
	31 March 2014	4.40
	31 March 2015	4.40
	31 March 2016	4.40
	31 March 2017	4.40
Total dividends paid to 31 March 2017		68.75
Proforma net asset value as at 31 March 2017		66.36
Total proforma shareholder return to 31 March 2017		135.11

Notes

- The proforma shareholder returns presented above are based on the dividends paid to shareholders before the merger and the pro-rata net asset value per share and pro-rata dividends per share paid to 31 March 2017. This proforma is based upon 0.8801 Albion Venture Capital Trust PLC shares for every Albion Prime VCT PLC share which merged with Albion Venture Capital Trust PLC on 25 September 2012.
- 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.
- The above table excludes the tax benefits investors received upon subscription for shares in the Company.

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