

Albion Development VCT PLC

Annual Report and Financial
Statements for the year
ended 31 December 2019



2019

AlbionCapital



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Company information

Company number	03654040
Directors	B Larkin LLB, Chairman L M Goleby MA (Cantab) Lord O'Shaughnessy (appointed 8 July 2019) P H Reeve MA FCA
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Capital Group LLP 1 Benjamin Street London, EC1M 5QL
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 1 Temple Avenue London, EC4Y 0HA
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
Depository	Ocorian (UK) Limited 11 Old Jewry London, EC2R 8DU

Albion Development VCT PLC is a member of The Association of Investment Companies (www.theaic.co.uk).

Shareholder enquiries	<p>For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC: Tel: 0370 873 5853 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls are recorded) Website: www.investorcentre.co.uk</p> <p>Shareholders can access holdings and valuation information regarding any of their shares held by Computershare by registering on Computershare's website.</p> <p>Shareholders can also contact the Chairman directly on AADVchair@albion.capital</p>
Financial adviser enquiries	<p>For enquiries relating to the performance of the Company and information for financial advisers please contact Albion Capital Group LLP:</p> <p>Email: info@albion.capital Tel: 0207 601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri; calls are recorded) Website: www.albion.capital</p>

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

Investment policy

Investment policy

The Company will invest in a broad portfolio of higher growth businesses with a stronger focus on technology companies across a variety of sectors of the UK economy. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified in terms of sector and stage of maturity of company.

Funds held pending investment or for liquidity purposes will be held as cash on deposit or up to 8 per cent. of its assets, at the time of investment, in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so).

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within venture capital trust qualifying industry sectors using a mixture of securities. The maximum amount which the Company will invest in a single portfolio company is 15 per cent. of the Company's assets at cost thus ensuring a spread of investment risk. The value of an individual investment may increase over time as a result of trading progress and it is possible that it may grow in value to a point where it represents a significantly higher proportion of total assets prior to a realisation opportunity being available.

The Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves.

Background to the Company

The Company is a venture capital trust which raised a total of £33.3 million through the issue of shares between 1999 and 2004. The C shares merged with the Ordinary shares in 2007. A further £6.3 million was raised through an issue of new D shares in 2010. The D shares converted to Ordinary shares in 2015.

An additional £45.1 million has been raised for the Ordinary shares through the Albion VCTs Top Up Offers since January 2011.

Financial calendar

Record date for first dividend	11 May 2020
Annual General Meeting	Noon on 9 June 2020
Payment of first dividend	29 May 2020
Announcement of half-yearly results for the six months ending 30 June 2020	September 2020

Financial highlights

183.72p

Total shareholder return per Ordinary share from launch to 31 December 2019

3.87%

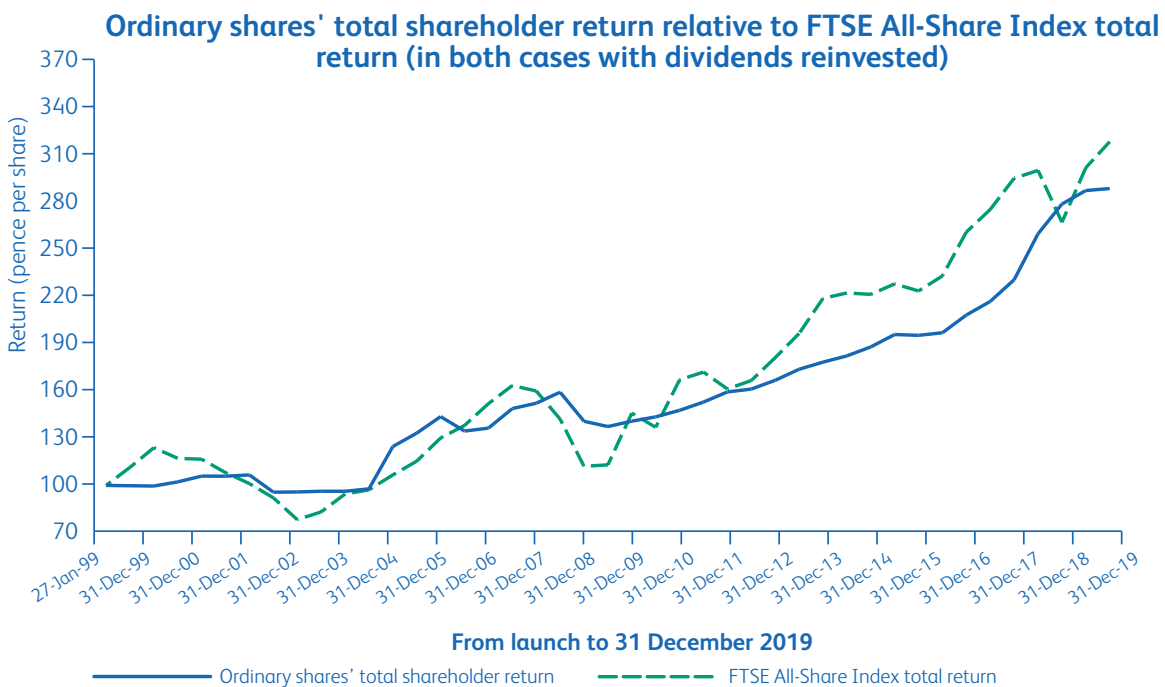
Total return on opening net asset value for the year ended 31 December 2019

4.50p

Tax-free dividend per Ordinary share for the year ended 31 December 2019

83.47p

Net asset value per Ordinary share as at 31 December 2019



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

Source: Albion Capital Group LLP

Financial highlights continued

Ordinary shares	31 December 2019 pence per share	31 December 2018 pence per share
Opening net asset value	84.70	73.80
Revenue return	0.73	0.20
Capital return	2.55	14.80
Total return	3.28	15.00
Impact from share capital movements	(0.01)	(0.10)
Dividends paid	(4.50)	(4.00)
Net asset value	83.47	84.70

Total shareholder return to 31 December 2019:

	Ordinary shares (pence per share)	C shares (pence per share) ⁽ⁱ⁾	D shares (pence per share) ⁽ⁱⁱ⁾
Total dividends paid during the year ended:			
31 December 1999	1.00	–	–
31 December 2000	2.90	–	–
31 December 2001	3.95	–	–
31 December 2002	4.20	–	–
31 December 2003	4.50	0.75	–
31 December 2004	4.00	2.00	–
31 December 2005	5.20	5.90	–
31 December 2006	3.00	4.50	–
31 December 2007	5.00	5.36	–
31 December 2008	12.00	12.86	–
31 December 2009	4.00	4.29	–
31 December 2010	8.00	8.57	1.00
31 December 2011	5.00	5.36	2.50
31 December 2012	5.00	5.36	3.50
31 December 2013	5.00	5.36	5.00
31 December 2014	5.00	5.36	5.00
31 December 2015	5.00	5.36	7.49
31 December 2016	5.00	5.36	7.49
31 December 2017	4.00	4.29	5.99
31 December 2018	4.00	4.29	5.99
31 December 2019	4.50	4.82	6.74
Total dividends paid to 31 December 2019	100.25	89.76	50.69
Net asset value as at 31 December 2019	83.47	89.44	125.00
Total shareholder return to 31 December 2019	183.72	179.20	175.69

In addition to the dividends paid above, the Board has declared a first dividend for the year ending 31 December 2020 of 2.25 pence per Ordinary share payable on 29 May 2020 to shareholders on the register on 11 May 2020.

Notes

Total shareholder return for every 100 pence invested on initial allotment. The table above excludes tax benefits upon subscription.

- (i) The C shares were converted into Ordinary shares on 31 March 2007, with a conversion ratio of 1.0715 Ordinary shares for each C share. The net asset value per share and all dividends paid subsequent to the conversion of the C shares to the Ordinary shares are multiplied by the conversion factor of 1.0715 in respect of the C shares return, in order to give an accurate picture of the shareholder value since launch relating to the C shares.
- (ii) The D shares were converted into Ordinary shares on 31 March 2015, with a conversion ratio of 1.4975 Ordinary shares for each D share. The net asset value per share and all dividends paid subsequent to the conversion of the D shares to the Ordinary shares are multiplied by the conversion factor of 1.4975 in respect of the D shares return, in order to give an accurate picture of the shareholder value since launch relating to the D shares.

Chairman's statement



Ben Larkin
Chairman



‘The sale of Process Systems Enterprise delivered a 10 times return on cost’

Introduction

The Company achieved a total return for the year to 31 December 2019 of 3.28 pence per Ordinary share. These results represent a 3.9% gain on opening net asset value. After a strong previous two years, this current year has been more subdued. Whilst I am optimistic on the longer term prospects of the portfolio, in the shorter term it will be affected by the current financial crisis arising out of the Coronavirus pandemic.

Board Composition

As detailed in the Half-yearly Financial Report, the Company's longest serving Director and Chairman, Geoffrey Vero, sadly passed away on 19 May 2019. Geoffrey's good humour and wise counsel, over many years, will be sorely missed. Therefore, the composition of the Board has changed, and I became Chairman effective from 8 July 2019. The Chairman of the Audit Committee is Lyn Goleby, effective from 3 September 2019. The Board was pleased to announce that Lord O'Shaughnessy was appointed to the Board with effect from 8 July 2019. Biographies of each of the Directors are included on page 17.

Investment performance and progress

We had a number of realisations during the year totalling £10.5 million (2018: £8.5 million), of which Radnor House School (Twickenham) accounted for £4.1 million. The sale of Process Systems Enterprise delivered a 10 times return on cost, and realised £1.3 million. We realised our holding in our two pub companies, delivering a 1.85 times return on cost. Our investment in Mi-Pay Group has been disappointing and following the sale of its trading subsidiary after the year end, the investment will realise a return of 0.03 on cost. The success of Process Systems Enterprise and the failure of Mi-Pay highlight the risks and rewards associated with investing in higher growth businesses. Further details on realisations can be found in the realisations table on page 22.

The results for the year showed net gains on investments of £3.1 million, against £12.3 million for the previous year. The key contributors were the uplift on Proveca, which has been revalued after a successful further funding round and the sale of Process Systems Enterprise. Against this, there were write-downs against Zift Channel Solutions, Convertr Media, and Aridhia, due to weaker growth than anticipated.

A busy year resulted in £2.8 million invested in seven new portfolio companies, all of which are targeted to require further investment as the companies prove themselves and grow:

- £685,000 into Cantab Research (trading as Speechmatics), a provider of low footprint automated speech recognition software which can be deployed in the cloud, on premise or on device across 29 languages;
- £639,000 into Elliptic Enterprises, a provider of Anti Money Laundering services to digital asset institutions;
- £440,000 into Limitless Technology, a provider of a customer service platform powered by the crowd and machine learning technology;
- £409,000 into Clear Review, a provider of talent management software to mid market enterprises;

- £400,000 into Avora, which develops software to improve decision making through augmented analytics & machine learning;
- £166,000 into Imandra, a provider of automated software testing and an enhanced learning experience for artificial neural networks; and
- £76,000 into Symetrica, a designer and manufacturer of radiation detection equipment.

A further £2.9 million was invested in existing portfolio companies, including £745,000 into Proveca to support its development of further paediatric drugs, £293,000 into InCrowd Sports to support its growth, and £240,000 in Oviva to support the expansion of its geographical footprint, as well as to further transition the company's focus on digital diabetes therapeutics.

For a review of business and future prospects please see the Strategic report on page 10.

Dividends and results

The Company paid dividends totaling 4.5 pence per share during the year ended 31 December 2019 (2018: 4.0 pence per share). The total return after tax was £2.7 million compared to £11.2 million in the year to 31 December 2018.

The Company will pay a first dividend for the financial year ending 31 December 2020 of 2.25 pence per Ordinary share payable on 29 May 2020 to shareholders on the register on 11 May 2020.

Management performance incentive and total expenses cap

At the General Meeting in 2019, a new management performance incentive fee was approved with 86.8% of Shareholders voting in favour of the changes, which also reduced the total expenses cap to 2.5%, where any additional expenses above this are borne by the Manager.

The new performance incentive fee has not resulted in a payment this year. The expenses cap has resulted in a saving of £105,000 to shareholders. Further details of these changes can be found in the Strategic report on page 12.

Risks and uncertainties

The implication of the financial turmoil arising from the Coronavirus crisis is the key risk facing the Company, including its impact on the UK and Global economies. As well as the potential implications of the UK leaving the European Union, our underlying portfolio companies may be adversely affected by the Coronavirus Pandemic and recent quoted market turmoil. The Manager is continually assessing the exposure to these risks for each portfolio company, and appropriate actions, where possible, are being implemented.

A detailed analysis of the other risks and uncertainties facing the business is shown in the Strategic report on pages 14 to 16.

Share buy-backs

Given uncertainty on valuations caused by the Coronavirus and its impact on financial markets in recent times, the Board agreed to suspend the Company's buy back operation on 18 March 2020, until such time as the Company can provide an updated valuation as at 31 March 2020 of the portfolio and the Company's net asset value. The Board does not intend to resume the Company's buyback programme until after the announcement of the 31 March 2020 unaudited net asset value.

Albion VCTs Prospectus Top Up Offers

During the year, your Board, in conjunction with the boards of four of the other VCTs managed by Albion Capital Group LLP, launched a prospectus top up offer of new Ordinary shares on 22 October 2019. The Board was pleased to announce the Offer closed on 7 January 2020, at which time the Board elected to not exercise the over allotment facility, having raised £8 million. The proceeds will be used to provide

“ Tenth consecutive year the company has delivered a positive total return ”



“ The expenses cap has resulted in a saving of £105,000 to shareholders ”

further resources at a time when a number of attractive investment opportunities are being seen, alongside the funds received from our successful exits in 2019. The first allotment of shares under the Offer was on 31 January 2020. Further details can be found in note 19.

The funds raised by each Company pursuant to its Offer will be added to the liquid resources available for investment, putting each Company into a position to take advantage of investment opportunities over the next two to three years. The proceeds of the Offers are being applied in accordance with the respective Companies' investment policies. The Company continues to participate in the Top Up Offers and also benefits from receipts from dividend reinvestment, the net proceeds of which are invested in new investment opportunities and to provide additional working capital in the Company. It is important that the Company continues to have cash available for future investments and the Top Up Offers and dividend reinvestments are important sources of that capital.

Annual General Meeting

As a Board, we have been deliberating the potential impact of the Coronavirus outbreak on the arrangements for our upcoming Annual General Meeting ("AGM"). These arrangements will evolve and we will keep shareholders updated of any changes on our Manager's website at www.albion.capital/funds/AADV.

We are required by law to hold an AGM within six months of our financial year end and lengthy postponement or adjournment is not possible in this case. Our AGM will therefore be held at noon on 9 June 2020, at the offices of Albion Capital Group LLP, 1 Benjamin Street, London, EC1M 5QL. We are putting in place contingency arrangements which mean that the meeting is unlikely to follow the same format as in previous years but will still meet the minimum legal requirements for an AGM. As a result, there will be no presentation from the Manager or from a portfolio company, and we will not be providing lunch after the AGM.

Full details of the business to be conducted at the Annual General Meeting are given in the Notice of the Meeting on pages 64 and 65.

This year, we would strongly encourage shareholders to consider whether attendance in person is necessary, especially given the public health advice. Shareholders' views are important, and the Board encourages shareholders' to vote on the resolutions within the Notice of Annual General Meeting on pages 64 and 65 using the proxy form enclosed with this Annual Report and Financial Statements, or electronically at www.investorcentre.co.uk/eproxy. The Board has carefully considered the business to be approved at the Annual General Meeting and recommends shareholders to vote in favour of all the resolutions being proposed. We encourage shareholders to submit their votes by proxy, rather than attending

in person. If circumstances improve and you have submitted a proxy, you can still attend the meeting.

We always welcome questions from our shareholders at the AGM but this year, we request that shareholders submit their questions to the Board before the AGM, and the Board will ensure a summary of responses are published on the Managers website at www.albion.capital/funds/AADV

You can submit questions up until noon on 8 June 2020 in the following ways:

- By email: send your questions to AADVchair@albion.capital
- By telephone: contact Shareholder relations on 020 7601 1850

Fraud warning

We note over recent months an increase in the number of shareholders being contacted in connection with increasingly sophisticated but fraudulent financial scams. This is often by a phone call or an email which normally originates from outside of the UK, often claiming or appearing to come from a corporate finance firm and typically offering to buy your VCT shares at an inflated price. If you are contacted, we recommend that you do not respond with any personal information and say you are not interested.

The Manager maintains a page on their website in relation to fraud advice at www.albion.capital/investor-centre/fraud-advice. Details of how to sell shares through reputable channels can also be found here.

If you are in any doubt, we recommend that you seek financial advice before taking any action. You can also call Shareholder relations on 020 7601 1850, or email info@albion.capital, if you wish to check whether any claims made are genuine.

Outlook and prospects

This has been another strong year for exits, with disposals of both technology and asset based businesses. The year also saw an active investment programme in ambitious innovative growth companies. The current healthcare and financial crisis creates uncertainty for everyone, and the Company's investment portfolio is not exempt from this. Nevertheless, we remain confident that the spread and quality of the portfolio will continue to drive longer term value for Shareholders.

Ben Larkin

Chairman

27 March 2020

Strategic report

Investment policy

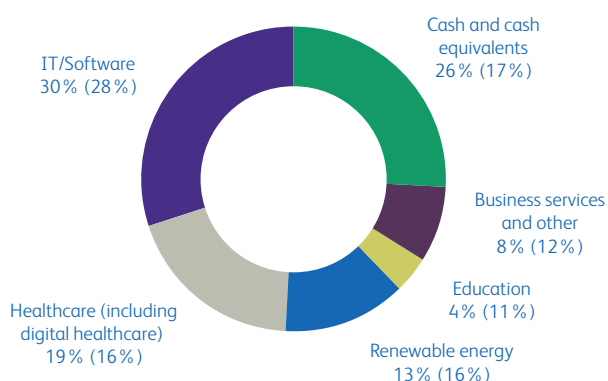
The Company will invest in a broad portfolio of higher growth businesses with a stronger focus on technology companies across a variety of sectors of the UK economy. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified in terms of sector and stage of maturity of company.

The full investment policy can be found on page 3.

Current portfolio sector allocation

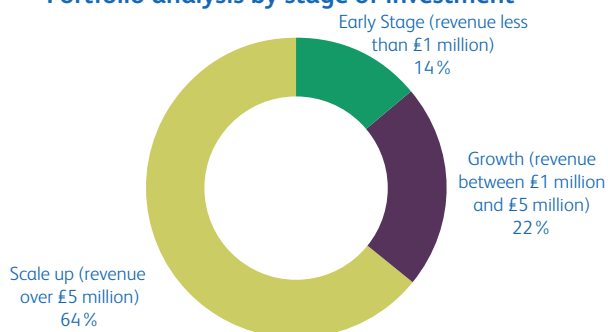
The following pie charts show the split of the portfolio valuation as at 31 December 2019 by: sector; stage of investment; and number of employees. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 20 and 21.

Investment portfolio by sector



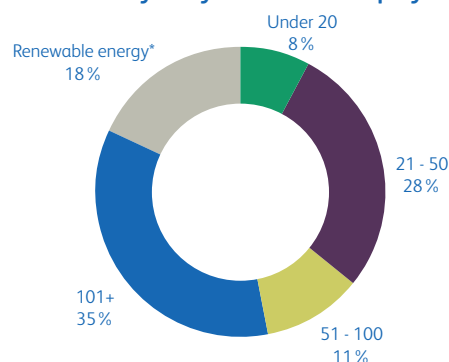
Comparatives for 31 December 2018 are shown in brackets
Source: Albion Capital Group LLP

Portfolio analysis by stage of investment



Source: Albion Capital Group LLP

Portfolio analysis by number of employees



Source: Albion Capital Group LLP

*Renewable energy investments have no employees

Direction of portfolio

There is a continuing focus on growing the technology and healthcare sectors, which is resulting in a decrease of asset-based investment as a percentage of the portfolio over time. This year, with the sale of our final two pub investments, and one of our schools, we can see the asset-based investments continuing to reduce as a percentage of the portfolio.

The current portfolio is well balanced in terms of sector, with IT/software at 30%, healthcare at 19%, and renewable energy at 13%. Due to our successful realisations in the final quarter of 2019, the cash balance has increased to 26 per cent. of the portfolio. We are now well placed to take advantage of our growing pipeline.

Results and dividend policy

	Ordinary shares £'000
Net revenue return for the year	593
Net capital gain for the year	2,080
Total return for the year ended 31 December 2019	2,673
Dividend of 2.25 pence per share paid on 31 May 2019	(1,880)
Dividend of 2.25 pence per share paid on 30 September 2019	(1,885)
Unclaimed dividends	5
Transferred from reserves	(1,087)
Net assets as at 31 December 2019	69,683
Net asset value per share as at 31 December 2019 (pence)	83.47

The Company paid dividends totalling 4.50 pence per Ordinary share (2018: 4.00 pence per Ordinary share). As described in the Chairman's statement, the Board has declared a first dividend for the year ending 31 December 2020 of 2.25 pence per Ordinary share payable on 29 May 2020 to shareholders on the register on 11 May 2020.

As shown in the Income statement on page 46, the total investment income increased to £1,294,000 (2018: £881,000). This is substantially due to the repayment of the G Network loan stock, including the interest that had been rolled during this time. The investment in the OUEIF has also generated the payment of substantial dividends. The revenue return to equity holders has therefore increased to £593,000 (2018: £181,000).

The after tax capital return for the year was £2,080,000 (2018: £11,037,000). This is mainly attributable to the successful sale of Process Systems Enterprise, which delivered a 10 times return on cost, and Proveca, which experienced a significant uplift in its valuation following an external funding round. This was partly offset by the reductions in Zift Channel Solutions, Convertr Media and Aridhia. We remain confident that the portfolio will deliver over the longer term, and after two excellent years and some very strong realisations from our mature assets, we still consider the Company to have performed well.

The total return was 3.28 pence per share (2018: 15.00 pence per share). The Balance sheet on page 47 shows that the net asset value has marginally decreased over the year to 83.47 pence per share (2018: 84.70 pence per share), as a result of the dividends paid in the year totalling 4.50 pence per share.

There was a net cash inflow for the Company of £5,340,000 for the year (2018: net outflow of £1,766,000), mainly resulting from the issue of Ordinary shares under the Albion VCTs Top Up Offers, as well as the sale of Radnor House (Twickenham), the Bravo pub portfolio and Process Systems Enterprise. This has been offset by the investment in current and fixed assets, dividends paid, operating activities and the buy-back of shares.

Review of business and future changes

The results for the year to 31 December 2019 show total shareholder return of 183.72 pence per Ordinary share since launch (2018: 180.50 pence per share).

Following changes to the VCT regulations in 2017, the asset-based investments are decreasing as a proportion of the portfolio. As a result, revenue returns will begin to decrease in the coming years, with the future returns coming from capital gains.

A detailed review of the Company's business during the year is contained in the Chairman's statement on pages 6 to 8.

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.

Future prospects

As detailed in the Chairman's statement, since the Company's year end, the world has spiraled into a healthcare emergency and it is unlikely that any investment company will remain unaffected. Although it is too early to gauge the full economic consequences, the Board believes that the Company's portfolio is well balanced across sectors and risk classes and has the potential to deliver returns to shareholders over the long term.

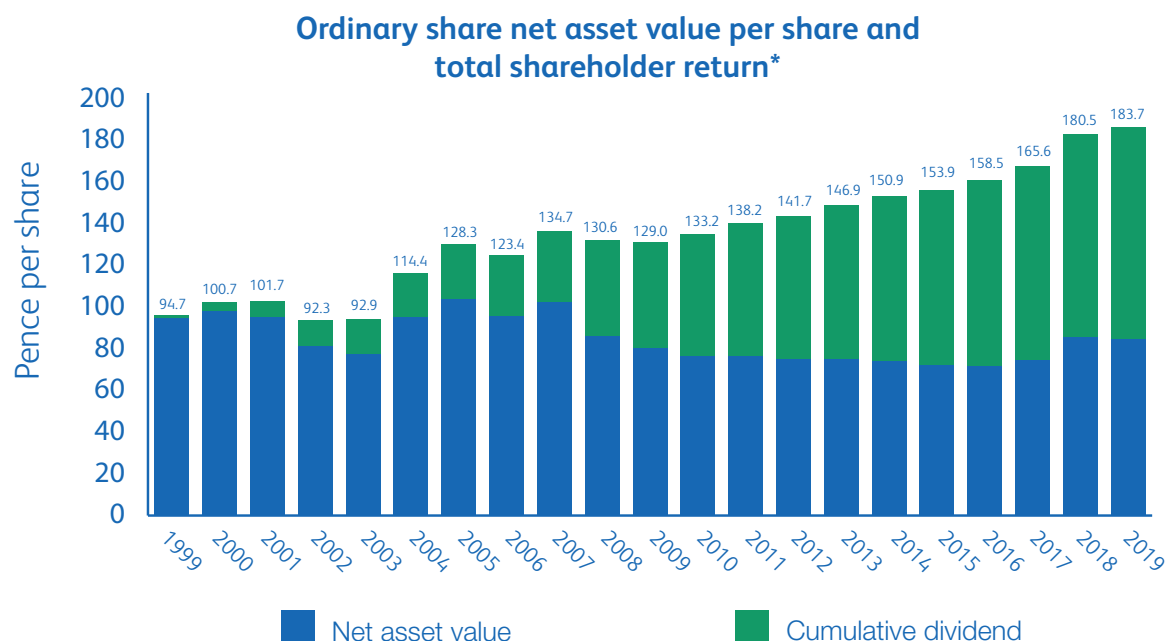
Key performance indicators ("KPIs") and Alternative Performance Measures ("APMs")

The Directors believe that the following KPIs and APMs, which are typical for venture capital trusts, used in its own assessment of the Company, will provide shareholders with sufficient information to assess how effectively the Company is applying its investment policy to meet its objectives. The Directors are satisfied that the results shown in the following KPIs and APMs 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 total shareholder return against the FTSE All-Share Index total return, in both instances with dividends reinvested. Details on the performance of the net asset value and return per share for the year are shown in the Chairman's statement.

2. Net asset value per share and total shareholder return



*Total shareholder return is net asset value plus cumulative dividends paid since launch to 31 December 2019.

Total return to shareholders increased by 3.8% on opening net asset value to 183.72 pence per Ordinary share for the year ended 31 December 2019 as a result of the positive total return of 3.23 pence per share.

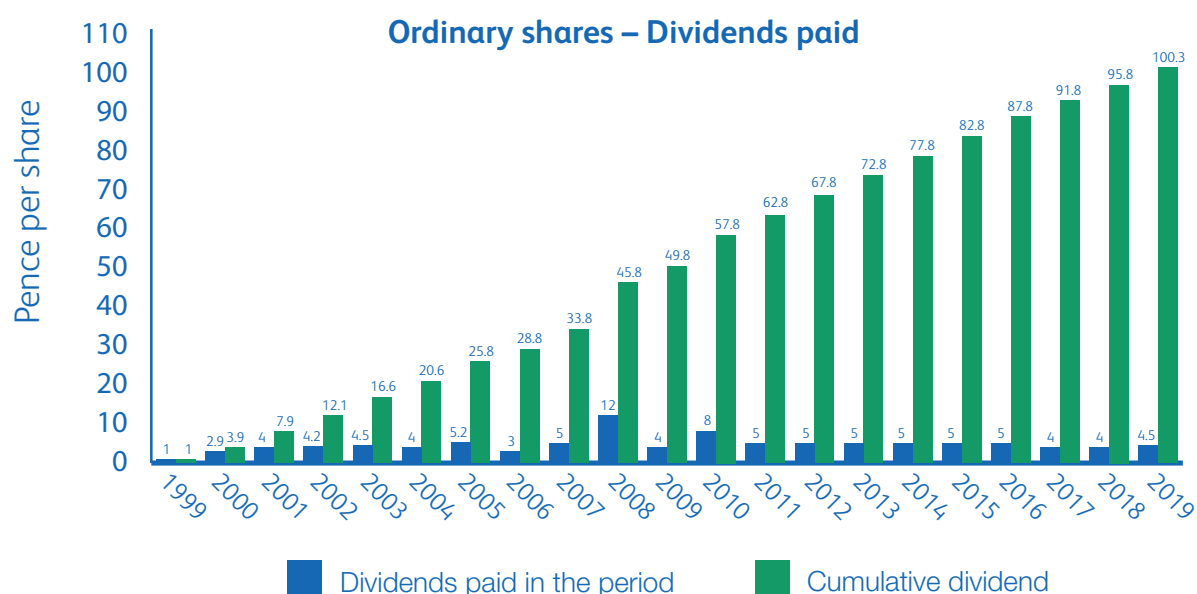
3. Shareholder return in the year†

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
4.9%	7.1%	4.6%	6.9%	5.4%	4.1%	6.5%	10.0%	20.3%	3.8%

Source: Albion Capital Group LLP

† Methodology: Shareholder return is calculated by the movement in total shareholder value for the year divided by the opening net asset value.

4. Dividend distributions



Dividends paid in respect of the year ended 31 December 2019 were 4.50 pence per share (2018: 4.00 pence per share). Cumulative dividends paid since inception are 100.25 pence per share.

5. Ongoing charges

The ongoing charges ratio for the year to 31 December 2019 was 2.5% (2018: 2.6%). 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. From 1 January 2019, the ongoing charges cap was reduced from 3.0% to 2.5%, which has resulted in a saving of £105,000 to shareholders during the year.

6. VCT regulation*

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

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 December 2019. These showed that the Company has complied with all tests and continues to do so.

*VCT compliance is not a numerical measure of performance and thus cannot be identified as an APM.

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 may be terminated by either party on 12 months' notice and is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 2.25 per cent. of the net asset value of the Company paid quarterly in arrears.

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

Total annual expenses, including the management fee, are limited to 2.5 per cent. of the net asset value, as per the resolution passed at the General Meeting in 2019.

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

Management performance incentive

At the 2019 General Meeting, a resolution was passed by 86.8% of shareholders that the two existing current management performance incentive arrangements for the Ordinary shares and the former D shares will be merged into one all-encompassing arrangement so that the Manager is both properly incentivised and its objectives are aligned with those of the Company.

The new hurdle requires that the growth of the aggregate of the net asset value per share and dividends paid by the Company compared with the previous accounting date exceeds RPI plus 2%. The hurdle will be calculated every year, based on the previous year's closing NAV per Share. The starting NAV is 84.70 pence per Share, being the audited net asset value at 31 December 2018. The Manager continues to receive an amount equal to 20% of the returns achieved in excess of the hurdle. If the target return is not achieved in a period, the cumulative shortfall is carried forward to the next accounting period and has to be made up before an incentive fee becomes payable.

There was no management performance incentive fee payable during the year. As at 31 December 2019 the cumulative shortfall of the target return was 0.29 pence per share and this amount needs to be made up in following accounting periods before an incentive fee becomes payable.

Investment and co-investment

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

Evaluation of the Manager

The Board has evaluated the performance of the Manager based on the returns generated by the Company, the continuing achievement of the 70 per cent. (80 per cent. from 1 January 2020 for the Company) qualifying holdings investment requirement for venture capital trust status, the long term prospects of the current portfolio of investments, a review of the Management agreement and the services provided therein, and benchmarking the performance of the Manager to other service providers including the performance of other VCTs that the Manager is responsible for managing. The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Alternative Investment Fund Managers Directive (“AIFMD”)

The Board appointed Albion Capital Group LLP as the Company’s AIFM in June 2014 as required by the AIFMD. The Manager became a full-scope Alternative Investment Fund Manager under the AIFMD on 1 October 2018. As a result, from that date, Ocorian (UK) Limited was appointed as Depositary to oversee the custody and cash arrangements and provide other AIFMD duties with respect to the Company.

Companies Act 2006 Section 172 Reporting

Under Section 172 of the Companies Act 2006, the Board has a duty to promote the success of the Company for the benefit of its members as a whole, having regard to the interests of other stakeholders in the Company, such as suppliers, and to do so with an understanding of the impact on the community and environment and with high standards of business conduct, which includes acting fairly between members of the Company.

The Board is very conscious of these wider responsibilities in the ways it promotes the Company’s culture and ensures, as part of its regular oversight, that the integrity of the Company’s affairs is foremost in the way the activities are managed and promoted. This includes regular engagement with the wider stakeholders of the Company and being alert to issues that might damage the Company’s standing in the way that it operates. The Board works very closely with the Manager in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company’s affairs, as well as visibility and openness in how the affairs are conducted.

The Board considers its significant stakeholder groups to be its Shareholders; suppliers, including direct agents of the Company such as the Manager to whom most executive functions are delegated; the community and the environment in the way that investments are made and managed.

The Company’s shareholders are key to the success of the Company. The Board seeks to create value for Shareholders by generating strong and sustainable returns to provide shareholders with a strong, predictable dividend flow and the prospect of capital growth. The Company has in place a buyback policy as an important means of providing market liquidity for shareholders. Details regarding the current buy-back policy can be found on page 7 of the Chairman’s statement. These important components, performance, predictable income return and liquidity when required are fundamental tenets of the way in which the Company operates for its Shareholders.

Shareholders’ views are important. The Board encourages Shareholders to vote on the resolutions at the Annual General Meeting. The Company’s Annual General Meeting, this year on 9 June 2020, is typically used as an opportunity to communicate

with investors, including through a presentation made by the investment management team. However, as detailed in the Chairman’s statement on page 8, there will be no presentation from the Manager or from a portfolio company, and we will not be providing lunch after this year’s AGM due to the impact of the COVID-19 outbreak. Details of the location and time of the Annual General Meeting can be found in the Directors’ report on page 31.

Shareholders are also encouraged to attend the annual Shareholders’ Seminar. The seminar includes some of the portfolio companies sharing insights into their businesses and also have presentations from Albion executives on some of the key factors affecting the investment outlook, as well as a review of the past year and the plans for the year ahead. Details of the seminar event are placed on the Manager’s website. Representatives of the Board attend the seminar.

The Company is an externally managed investment company with no employees, and as such has nothing to report in relation to employee engagement but does keep close attention to how the Board operates as a cohesive and competent unit. The Company also has no customers in the traditional sense and, therefore, there is also nothing to report in relation to relationships with customers.

The Company’s suppliers are fundamental to the operations of the Company, particularly Albion Capital Group LLP as the Manager, given that day-to-day management responsibilities are sub-contracted to the Manager. Details of the Manager’s and Board’s responsibilities can be found in the Statement of corporate governance on pages 34 to 38.

The contractual arrangements with all the principal suppliers to the Company are reviewed regularly and formally once a year, alongside the performance of the suppliers in acquitting their responsibilities. The performance of the Manager in managing the portfolio and in providing company secretarial, administration and accounting services is reviewed in detail each year, which includes reviewing comparator engagement terms and portfolio performance. Further details on the evaluation of the Manager, and the decision to continue the appointment of the Manager for the forthcoming year, can be found in this report on page 12.

The Board receives reports on Environmental, Social and Governance (“ESG”) factors within its portfolio from Albion Capital Group LLP as it is a signatory of the UN Principles for Responsible Investment. Further details of this are set out below. ESG, without its specific definition, has always been at the heart of the responsible investing that the Company engages in and in how the Company conducts itself with all of its stakeholders.

The Board, although non-executive, is fully engaged in both oversight and the general strategic direction of the Company. During the year the Board's main strategic discussions focussed around cash management and deployment of cash for future investments, dividends and share buyback, resulting in the decision to participate in the Albion VCTs Top Up Offers 2019/20. Time was also spent in ensuring the Board met Corporate Governance requirements which continue to evolve, including the introduction of the new AIC Code last year.

Environmental, Social, and Governance ("ESG")

Albion Capital Group LLP became a signatory of the UN Principles for Responsible Investment ("UN PRI") on 14 May 2019. The UN PRI is the world's leading proponent of responsible investment, working to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

Albion will make its first trial submission in 2020 against this framework and the first full submission in 2021. The trial process in 2020 will identify initial gaps in information being collected and areas that require action. This annual process will inform fuller ESG disclosure by 2021 and create a regular audit function to ensure continual improvement.

To ensure that the principles are starting to be translated into both the investment and portfolio management processes, since June 2019 all quarterly valuations and investment papers include a section covering relevant aspects of ESG for each investment. In addition, all fund level reports also include ESG sections and ESG will be included as a standing item on the agendas of all investment committees and Albion's internal board meetings, and any findings are discussed at fund board meetings (VCTs and LP funds). Reporting is intentionally light in the first instance, partly due to the stage and nature of investments and to encourage widespread adoption. The level of reporting is expected to build over time as the range of factors to consider increases and as our compliance with the UN PRI guidelines becomes apparent.

The Board and Manager have exercised conscious principles in making responsible investments throughout the life of the Company, not least in providing finance for nascent companies in a variety of important sectors such as technology, healthcare and renewable energy. In making the investments, the Manager is directly involved in the oversight and governance of these investments, including ensuring standards of reporting and visibility on business practices, all of which is reported to the Board of the Company. By its nature, not least in making qualifying investments which fulfil the criteria set by HMRC, the Company has focused on sustainable and longer-term investment propositions, some of which will fail in the nature of small companies, but some of which will grow and serve important

societal demands. One of the most important key performance indicators is the quality of the investment portfolio, which goes beyond the individual valuations and examines the prospects of each of the portfolio companies, as well as the sectors in which they operate – all requiring a longer-term view.

The Company adheres to the principles of the AIC Code of Corporate Governance and is also aware of other governance and other corporate conduct guidance which it meets as far as practical, including in the constitution of a diversified and independent board capable of providing constructive challenge but also, through its experience of the Company, continuity over the longer term investments the Company makes.

Social and community issues, employees and human rights

The Board recognises the requirement under section 414C of 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 formal policies in these matters and as such these requirements do not apply.

General Data Protection Regulation

The General Data Protection Regulation came into effect on 25 May 2018 with the objective of unifying data privacy requirements across the European Union. The Manager, Albion Capital Group LLP, has taken action to ensure that the Manager and the Company are compliant with the regulation.

Further policies

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

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

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

Risk management

The Board carries out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also identifies emerging risks which might impact on the Company. In the period the most noticeable emerging risk has been the global pandemic which has impacted on not only public health and mobility but also has had an adverse impact on global traded markets, the impact of which, by its nature, is likely to be uncertain for some time, and at time of publishing the accounts is severe.

The Directors have carried out a robust assessment of the Company's disclosures below that describe the principal risks, and explain how they are being managed or mitigated. 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, performance and valuation risk	<p>The risk of investment in poor quality businesses, 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>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>To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on matters discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.</p> <p>The unquoted investments held by the Company are designated at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. The valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board.</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 our profession advisors or H.M. Revenue & Customs. The Company monitors closely the extent of qualifying holdings and addresses this as required.</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, and any issues arising from compliance or regulation are reported to its own Board on a monthly basis. 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 and has access to the internal audit partner of PKF Littlejohn LLP 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>From 1 October 2018, Ocorian (UK) Limited was appointed as Depositary to oversee the custody and cash arrangements and provide other AIFMD duties. The Board reviews the quarterly reports prepared by Ocorian (UK) Limited to ensure that Albion Capital is adhering to its policies and procedures as required by the AIFMD.</p> <p>In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment objective and policies. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual.</p>

Risk	Possible consequence	Risk management
Economic, political and social 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. This also includes risks of social upheaval, including from infection and population re-distribution, as well as economic risk challenges as a result of healthcare pandemics/infection.	The Company invests in a diversified portfolio of companies across a number of industry sectors and in addition often invests a mixture of instruments in portfolio companies and has a policy of minimising 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. In common with most commercial operations, exogenous risks over which the Company has no control are always a risk and the Company does what it can to address these risks where possible, not least as the nature of the investments the Company makes are long term.
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, which is designed to limit the discount at which the Ordinary shares trade to around 5 per cent to net asset value, by providing a purchaser through the Company in absence of market purchasers. From time to time buy-backs cannot be applied, for example when the Company is subject to a close period, or if it were to exhaust any buy-back authorities. New Ordinary shares are issued at sufficient premium to net asset value to cover the costs of issue and to avoid asset value dilution to existing investors.
Reputational risk	The Company relies on the judgement and reputation of the Manager which is itself subject to the risk of loss.	The Board regularly questions the Manager on its ethics, procedures, safeguards and investment philosophy, which should consequently result in the risk to reputation being minimised.

Viability statement

In accordance with the FRC UK Corporate Governance Code published in 2018 and principle 36 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 31 December 2022. 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 also 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 three year period also takes account of the potential impact of new regulations, should they be imposed, and how they may impact the Company over the longer term, and the availability of cash but cannot take into account the exogenous risks that are impacting on global economies at the date of these accounts.

The Directors have carried out a robust assessment of the emerging and 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 procedures in place to identify emerging risks and the risk management processes in place to avoid or reduce the impact of the underlying risks. The Board focused on the major factors which affect the economic, regulatory and political environment. The Board deliberated over the importance of the Manager and the processes that they have in place for dealing with the principal risks.

The Board assessed the ability of the Company to raise finance and deploy capital, as well as the existing cash resources of the Company. 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 December 2022.

This Strategic report of the Company for the year ended 31 December 2019 has been prepared in accordance with the requirements of section 414A of the Companies Act 2006 (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,

Ben Larkin
Chairman
27 March 2020

The Board of Directors

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

Ben Larkin (Chairman), (appointed 5 December 2016), is a partner at an international law firm, Jones Day. Ben heads up the business reorganisation practice across Europe. Ben has spent the majority of his career advising public and private boards on aspects of corporate governance and has particular expertise in the infrastructure and real estate sectors. Recent mandates include Airwave (the mobile communication network for the UK's emergency services) and National Car Parks. Prior to joining Jones Day, Ben led the business recovery and reconstruction division of Berwin Leighton Paisner LLP for 14 years.

Lyn Goleby, MA (Cantab), (appointed 3 November 2017), qualified as a solicitor at Denton Hall and Burgin (now Dentons) and went on to business affairs roles in the film industry before starting an independent career as a film producer. She produced 3 films before the start up of City Screen (which became Picturehouse Cinemas) in 1989. She was on the board of the UK Cinemas Association until Picturehouse was bought by Cineworld in 2012. Lyn has served on various boards including the Film Committee of Arts Council England, Dance East and the Advisory Council of Tate Modern.

Lord O'Shaughnessy, MA (Oxon) (appointed 8 July 2019), has operated at the highest levels across UK Government, including as a Parliamentary Under Secretary in the Department for Health & Social Care with key policy responsibilities including life sciences; medicines pricing and regulation; preparing the health and social care sectors for Brexit; and, data, digital and technology, including cyber security. He was created a life peer in 2015 taking the title Baron O'Shaughnessy, of Maidenhead in the Royal County of Berkshire, and previously served as Director of Policy in No.10 Downing Street.

Patrick Reeve, MA, FCA (appointed 12 November 2013), was formerly the managing partner of Albion Capital and became chairman on 1 April 2019. As well as Albion Development VCT PLC, he is a director of Albion Technology and General VCT and Albion Enterprise VCT, and is chairman of OLIM Investment Managers. He is also a member of the Audit Committee of University College London, and a director of the Association of Investment Companies. Patrick joined Close Brothers Group plc in 1989 before establishing Albion Capital (formerly Albion Ventures LLP) in 1996. Prior to Close he qualified as a chartered accountant before joining Cazenove & Co. Patrick has an MA in Modern Languages from Oxford University.

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

All Directors, except for Patrick Reeve, are members of the Nomination Committee and Ben Larkin is Chairman.

All Directors, except for Patrick Reeve, are members of the Remuneration Committee and Lord O'Shaughnessy is Chairman.

Lyn Goleby is the Senior Independent Director.

Albion Capital Group LLP, is authorised and regulated by the Financial Conduct Authority and is the Manager of Albion Development VCT PLC. In addition, it manages a further five venture capital trusts, the UCL Technology Fund, the Albion Real Assets Fund, Albion Community Power and provides administration services to Albion Care Communities Limited. Albion Capital, together with its subsidiary, OLIM Investment Managers, currently has total assets under management or administration of approximately £1 billion. Albion Capital has recently won an award for Best Generalist VCT at the Investment Week Tax Efficiency Awards 2019/20.

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

Patrick Reeve MA, FCA,

details included in the Board of Directors section.

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

is the managing partner of Albion Capital. He has 18 years' experience investing in healthcare, leisure, media and technology enabled businesses. He joined Albion Capital in 2001, became deputy managing partner in 2009 and managing partner in 2019. Prior to joining Albion, Will qualified as a chartered accountant with Cooper Lancaster Brewers and has a BA in History from Southampton University.

Dr. Andrew Elder, MA, FRCS,

is head of healthcare investing and deputy managing partner of Albion Capital. He joined Albion Capital in 2005 and became a partner in 2009. Prior to Albion, Andrew was a strategy consultant specialising in healthcare at the Boston Consulting Group. He graduated with an MA plus Bachelors of Medicine and Surgery from Cambridge University and practised as a surgeon for six years specialising in neurosurgery. He is a Fellow of the Royal College of Surgeons (England).

Jessica Bartos, MA (Hons),

is an investment manager at Albion Capital, concentrating on technology investments. Prior to joining Albion Capital in 2019, Jessica spent four years in the technology, media and telecoms team at Rothschild in New York and London, and previously worked for Mizuho Securities in New York and the Export-Import Bank of the United States in Washington. Jessica graduated from the University of Pennsylvania with a BA in European History and from John Hopkins University with an MA in International Economics.

Adam Chirkowski, MA (Hons)

is an investment director at Albion Capital, currently concentrating on renewable energy projects, healthcare and investments in the asset backed portfolio. Prior to joining Albion in 2013, Adam spent five years working in corporate finance at Rothschild, he graduated from Nottingham University with a first class degree in Industrial Economics and a masters in Corporate Strategy and Governance.

Emil Gigov, BA (Hons), FCA,

is a partner of Albion Capital with over 20 years' experience as an advisor and investor in a number of industry sectors, including technology, media, engineering, healthcare, education and leisure. Emil joined Albion in 2000 and became a partner in 2009. In his early career, Emil worked on acquisitions, disposals and fundraising mandates at KPMG Corporate Finance having joined their financial services division and qualified as a chartered accountant in 1997. Emil graduated from the European Business School, London, with a BA (Hons) Degree in European Business Administration.

David Gudgin, BSc (Hons), ACMA,

is a partner of Albion Capital specialising in renewable energy projects, and investments in the asset backed portfolio. He is also a director of Albion Care Communities Limited. David joined Albion in 2005 and became a partner in 2009. Prior to Albion, he was the lead investor of an environmental technology and a later stage development capital fund at Foursome Investments (now Frog Capital). Before Frog Capital he joined 3i plc as an investor in European technology based in London and Amsterdam having previously qualified as a management accountant with ICL before spending 3 years at the BBC. David has a BSc in Economics from Warwick University.

Vikash Hansrani, BA (Hons), FCA,

is the operations partner of Albion Capital. Vikash oversees the finance and administration of the funds under Albion's management and is also the finance director of Olim Limited and is on the AIC's VCT Technical Committee. He was also previously the finance director of Albion Community Power. He joined Albion in 2010 having qualified as a chartered accountant with RSM working latterly in its corporate finance team. He has a BA in Accountancy & Finance from Nottingham Business School.

Ed Lascelles, BA (Hons),

is a partner at Albion Capital and is head of technology investing. Ed joined Albion in 2004 and became a partner in 2009. He began his career advising public companies on fundraising and takeovers, first with Charterhouse Securities and then ING Barings, covering the healthcare and technology sectors among others. He graduated from University College London with a first class degree in Philosophy.

Paul Lehair MSc, MA,

is an investment manager at Albion Capital specialising in technology investing. Paul joined Albion in 2019 with 10 years' experience in technology both at start-ups and in investment banking. He came from Citymapper where he was finance director for 5 years. He also worked in business operations at Viagogo and in M&A TMT at Citigroup beforehand. Paul holds a dual Masters degree in European Political Economy from the London School of Economics and Political Science and Sciences Po Paris.

Catriona McDonald, BA (Hons),

is an investment associate at Albion Capital specialising in technology investing. Cat joined Albion in 2018. Prior to joining Albion she worked for Goldman Sachs in both New York and London where she executed several high profile transactions including leveraged buyouts, IPOs and M&A. Cat graduated from Harvard University, majoring in Economics.

Dr. Christoph Ruedig, MBA,

is a partner at Albion Capital specialising in healthcare investing. Christoph joined Albion Capital in 2011 and became a partner in 2014. Prior to joining Albion he worked at General Electric UK, where he was responsible for mergers and acquisitions in the medical technology and healthcare IT sectors following a role in the Healthcare Venture Capital arm of 3i plc where he led investments in biotechnology, pharmaceuticals and medical technology. Christoph initially practiced as a radiologist, before spending 3 years at Bain & Company. He holds a degree in Medicine from Ludwig-Maximilians University, Munich and an MBA from INSEAD.

Nadine Torbey, MSc, BEng,

is an investment associate at Albion Capital specialising in technology investing. Nadine joined Albion in 2018 from Berytech Fund, Beirut, one of the first VC funds in the Middle East. Her career to date has involved many aspects of tech investing including experience in a wide variety of digital platforms, big data management, virtual reality and digital networks. She graduated from the American University of Beirut with a Bachelor in Electrical and Computer Engineering, and followed this with a MSc in Innovation Management and Entrepreneurship from Brown University.

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

is a partner at Albion Capital specialising in software investing. Robert joined Albion Capital in 2005 and became a partner in 2009. Previously Robert worked in corporate finance for Credit Suisse, KPMG and ING Barings, after qualifying as a chartered accountant.

Jay Wilson, MBA, MMath,

is an investment manager at Albion Capital specialising in technology investing. Jay joined Albion in 2019 from Bain & Company, where he had been a consultant since 2016 advising private equity and sovereign wealth funds on acquisitions of European technology, financial and business services companies. Prior to this he graduated from London Business School with an MBA having spent eight years as a broker at ICAP Securities.

Marco Yu, PhD, MRICS,

is an investment director at Albion Capital specialising in alternative energy investing and the asset backed portfolio. Marco joined Albion in 2007. Prior to Albion he was with EC Harris where he advised senior lenders on large capital projects having spent two and a half years at Bouygues (UK). Marco graduated from Cambridge University with a first class degree in Economics and is a Chartered Surveyor.

Portfolio of investments

Fixed asset investments	% voting rights	% voting rights of Albion* managed companies	As at 31 December 2019			As at 31 December 2018			Change in value for the year** £'000
			Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	
Egress Software Technologies Limited	6.9	24.7	2,332	4,115	6,447	2,332	4,115	6,447	–
Proveca Limited	11.8	49.9	1,829	2,712	4,541	1,084	1,553	2,637	1,159
Quantexa Limited	2.9	12.1	727	2,283	3,010	727	2,283	3,010	–
Radnor House School (TopCo) Limited	8.5	48.3	1,560	1,163	2,723	2,728	3,906	6,634	126
The Street by Street Solar Programme Limited	12.4	50.0	1,291	1,074	2,365	1,291	943	2,234	131
Chonais River Hydro Limited	4.6	50.0	1,705	653	2,358	1,705	671	2,376	(18)
Mirada Medical Limited	7.7	42.4	909	1,148	2,057	659	1,352	2,011	(79)
Regenerco Renewable Energy Limited	11.9	50.0	1,204	830	2,034	1,204	707	1,911	123
G. Network Communications Limited	2.7	14.8	273	1,206	1,479	850	968	1,818	239
Alto Prodotto Wind Limited	9.4	50.0	761	523	1,284	801	549	1,350	(8)
Sandcroft Avenue Limited (trading as Hussle)	6.4	21.2	1,281	(18)	1,263	1,191	47	1,238	(65)
Oviva AG	3.0	13.0	882	370	1,252	643	5	648	364
Panaseer Limited	3.2	11.6	752	281	1,033	557	214	771	67
Beddlestead Limited	8.6	49.0	1,026	(5)	1,021	850	(2)	848	(3)
Convertr Media Limited	6.2	26.7	992	21	1,013	875	384	1,259	(362)
MPP Global Solutions Limited	3.0	12.2	1,000	–	1,000	1,000	–	1,000	–
The Ewell (Harley Street) Limited	7.5	40.0	989	–	989	933	–	933	–
OmPrompt Holdings Limited	10.7	41.2	994	(32)	962	864	(278)	586	246
Albion Investment Properties Limited	68.2	100.0	929	(1)	928	929	(61)	868	60
Black Swan Data Limited	2.4	14.7	891	–	891	848	–	848	–
MyMeds&Me Limited	9.9	42.1	940	(50)	890	940	(50)	890	–
Koru Kids Limited	2.1	9.3	460	257	717	272	–	272	257
InCrowd Sports Limited	4.3	17.8	545	158	703	252	24	276	134
Cantab Research Limited (trading as Speechmatics)	1.7	12.9	685	–	685	–	–	–	–
SBD Automotive Limited (previously Secured by Design Limited)	2.2	10.0	330	312	642	330	204	534	108
Elliptic Enterprises Limited	0.8	6.7	639	–	639	–	–	–	–
Locum's Nest Limited	5.6	24.1	550	(28)	522	550	33	583	(61)
AVESI Limited	10.5	50.0	340	167	507	340	158	498	9
Zift Channel Solutions Inc.	1.7	6.5	885	(380)	505	885	114	999	(494)
TWCL Limited	9.4	50.0	518	(31)	487	518	(28)	490	(4)
The Q Garden Company Limited	16.6	50.0	466	(1)	465	466	(1)	465	–
DySIS Medical Limited	1.9	13.5	1,038	(596)	442	1,037	(508)	529	(88)
Limitless Technology Limited	2.8	12.9	440	–	440	–	–	–	–
Phrasee Limited	2.0	11.0	410	–	410	410	–	410	–
Clear Review Limited	3.2	14.4	409	–	409	–	–	–	–
Avora Limited	2.2	16.7	400	–	400	–	–	–	–
Cisiv Limited	7.7	30.9	686	(291)	395	686	(27)	659	(264)
ePatient Network Limited (trading as Raremark)	2.8	14.8	270	94	364	135	–	135	94

Portfolio of investments continued

Fixed asset investments	% voting rights	% voting rights of Albion* managed companies	As at 31 December 2019			As at 31 December 2018			Change in value for the year** £'000
			Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	
Dragon Hydro Limited	5.5	30.0	217	127	344	225	138	363	(11)
Abcodia Limited	4.7	19.5	809	(523)	286	809	(523)	286	–
Arecor Limited	1.5	7.4	280	–	280	280	–	280	–
Healios Limited	0.9	4.5	270	–	270	100	–	100	–
MHS1 Limited	3.3	48.8	231	–	231	231	–	231	–
uMotif Limited	1.2	6.2	300	(82)	218	200	–	200	(82)
Greenenerco Limited	4.0	50.0	124	89	213	130	89	219	3
Oxsensis Limited	1.7	24.1	274	(64)	210	238	(96)	142	33
Innovation Broking Group Limited	8.4	30.0	84	104	188	84	62	146	42
Imandra Inc	1.7	7.9	166	–	166	–	–	–	–
Aridhia Informatics Limited	5.8	21.6	1,129	(980)	149	1,054	(674)	380	(306)
Forward Clinical Limited (trading as Pando)	1.8	9.2	219	(90)	129	190	–	190	(90)
Premier Leisure (Suffolk) Limited	6.2	47.4	109	13	122	109	16	125	(3)
memsstar Limited	2.8	44.7	74	46	120	98	39	137	8
Erin Solar Limited	4.3	50.0	120	(5)	115	120	(5)	115	–
Symetrica Limited	0.3	5.0	76	(5)	71	–	–	–	(5)
Mi-Pay Group PLC	3.2	31.6	22	–	22	823	(698)	125	–
Elements Software Limited	0.6	4.5	3	(3)	–	3	(3)	–	–
Total fixed asset investments			36,845	14,561	51,406	33,586	15,620	49,206	1,260

* Albion Capital Group LLP

** As adjusted for additions and disposals during the year; including realised gains/(losses).

The comparative cost and valuations for 31 December 2018 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2018 as the above list does not include brought forward investments that were fully disposed of in the year.

Current asset investments	As at 31 December 2019			As at 31 December 2018			Change in value for the year** £'000
	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	
SVS Albion OLIM UK Equity Income Fund	3,800	78	3,878	1,400	(157)	1,243	236
Total current asset investments	3,800	78	3,878	1,400	(157)	1,243	236

** As adjusted for additions and disposals during the year; including realised gains/(losses).

Portfolio of investments continued

The following is a summary of fixed asset realisations for the year ended 31 December 2019:

Fixed asset investment realisations	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Disposals:					
Radnor House School (TopCo) Limited	1,168	4,038	4,117	2,949	79
Bravo Inns II Limited	1,080	1,429	1,696	616	267
Process Systems Enterprise Limited	131	457	1,343	1,212	886
Earnside Energy Limited	1,089	1,384	1,281	192	(103)
Bravo Inns Limited	267	181	195	(72)	14
Tambla Limited	11	6	6	(5)	–
Loan stock repayments and conversions:					
Mirada Medical Limited	472	598	637	165	39
G.Network Communications Limited	577	577	577	–	–
Black Swan Limited	239	239	282	43	43
Alto Prodotto Wind Limited	40	59	59	19	–
memsstar Limited	24	24	24	–	–
Greenenerco Limited	6	9	9	3	–
Dragon Hydro Limited	8	8	8	–	–
Escrow adjustments and other:					
Escrow adjustments*	–	–	285	285	285
Mi-Pay Group PLC**	801	103	–	(801)	(103)
Total realisations	5,913	9,112	10,519	4,606	1,407

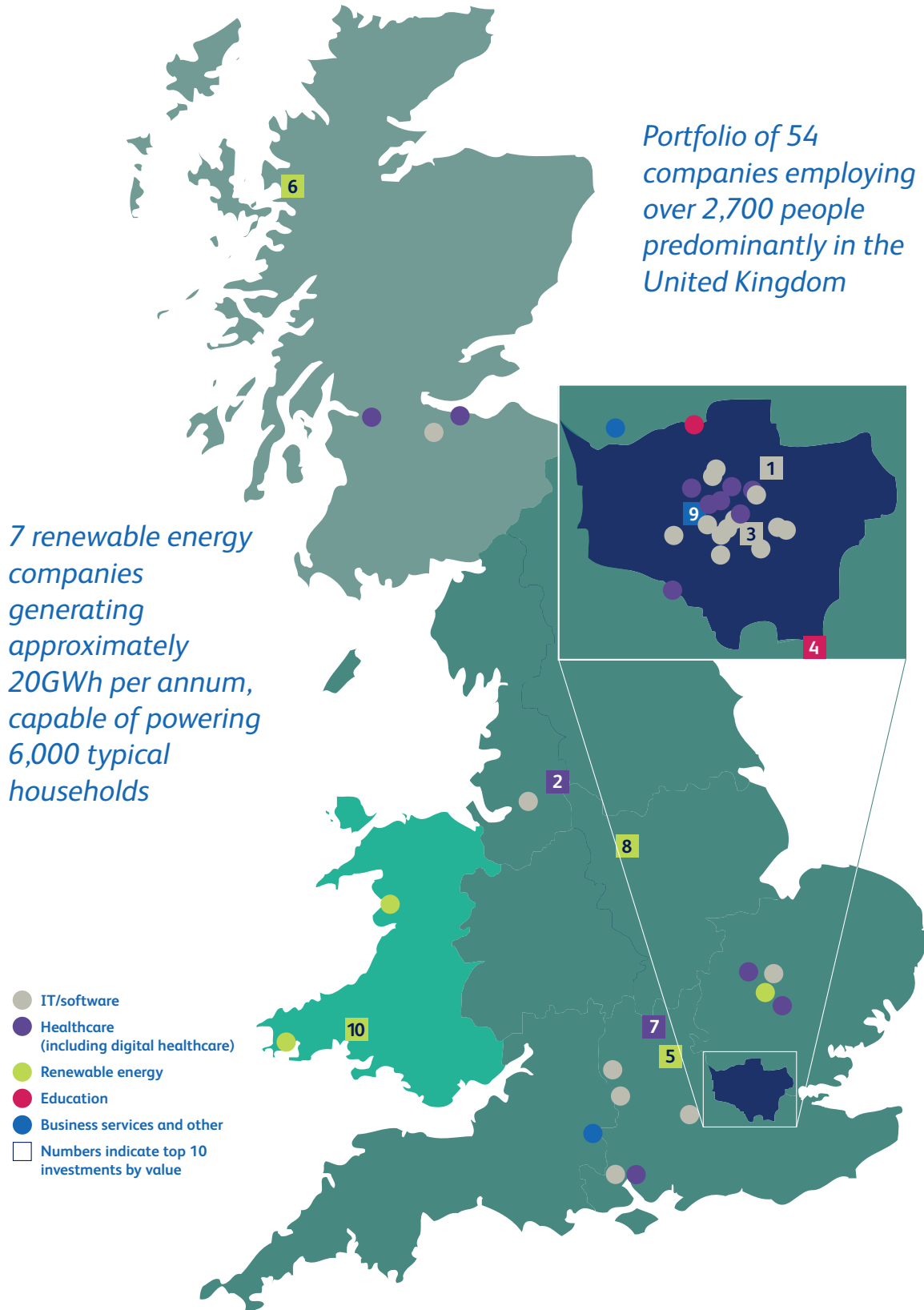
* These comprise fair value movements on deferred consideration on previously disposed investments.

** The accounting cost as shown above represents realised losses of investments still held at the Balance sheet date.

Total change in value of investments for the year	1,260
Movement in accrued loan stock interest	171
Unrealised gains on fixed asset investments sub-total	1,431
Unrealised gains on current asset investments	236
Realised gains in current year	1,407
Total gains on investments as per Income statement	3,074

Portfolio companies

Geographical locations



Portfolio companies continued

The top ten fixed asset investments by value are as follows:



Website: www.egress.com

1. Egress Software Technologies Limited

Egress has developed a cloud-based secure communication platform that offers encryption services including email, file transfer, document collaboration and archiving. Egress serves local and central government in the UK, as well as the finance, legal and healthcare sectors in the UK and increasingly now in the US.

Audited results: year to 31 December 2018

	£'000
Turnover	11,747
LBITDA	(5,165)
Loss before tax	(5,324)
Net assets	11,319
Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)

Investment information

	£'000
Income recognised in the year	–
Total cost	2,332
Valuation	6,447
Voting rights	6.9 per cent.
Voting rights for all Albion managed companies	24.7 per cent.

2. Proveca Limited

Proveca is a pharmaceutical company focused on children's medicines. Currently 50-90% of the medicines children take are in the wrong format and/or are not licensed for their use. Proveca is addressing a significant need in developing drugs that are specifically formulated for children, taking advantage of a supportive regulatory regime and market protection throughout Europe. Its first product for chronic drooling was launched in 2017. It has a pipeline of drugs focused on neurology, immunology, cardiovascular and other therapeutic areas that it expects to reach the market over the next 2 to 5 years.



Website: www.proveca.co.uk

Filleted audited results: year to 31 July 2019

	£'000
Net liabilities	(4,209)
Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)

Investment information

	£'000
Income recognised in the year	–
Total cost	1,829
Valuation	4,541
Voting rights	11.8 per cent.
Voting rights for all Albion managed companies	49.9 per cent.

3. Quantexa Limited

Quantexa has developed an analytics platform which offers entity resolution and network analytics at massive scale in real time. The initial market focus has been on detecting financial crime for the banking sector, where Quantexa can materially improve processes such as KYC and AML checks as well as Financial Investigations. Albion funds have invested alongside HSBC.



Website: www.quantexa.com

Audited results: year to 31 March 2019

	£'000
Turnover	10,238
LBITDA	(7,039)
Loss before tax	(7,182)
Net assets	11,374
Basis of valuation	

Cost and price of recent investment
(reviewed for impairment or uplift)

Investment information

	£'000
Income recognised in the year	–
Total cost	727
Valuation	3,010
Voting rights	2.9 per cent.
Voting rights for all Albion managed companies	12.1 per cent.



Website: www.radnorhouse.org

4. Radnor House School (TopCo) Limited

Radnor House operates a co-educational independent school in Sevenoaks. The school, which was acquired in 2015 as a turnaround opportunity, is now growing strongly with over 450 children on the roll and further capacity to expand. It aims to deliver a personalised education experience to each student. The curriculum and co-curricular activities are designed to give each child a wide range of academic and other skills and prepare him or her for a dynamic and rapidly changing world.

Audited results: year to 31 August 2019

	£'000
Turnover	14,884
EBITDA	3,086
Profit before tax	612
Net assets	40,519
Basis of valuation	

Third party valuation – earnings multiple

Investment information

	£'000
Income recognised in the year	215
Total cost	1,560
Valuation	2,723
Voting rights	8.5 per cent.
Voting rights for all Albion managed companies	48.3 per cent.

5. The Street by Street Solar Programme Limited

Street by Street owns and operates solar PV systems on circa 600 privately owned homes in England and Wales. It provides free and clean electricity to those homes, and benefits from inflation-protected renewable subsidies for a period of 20 to 25 years. Most of the PV systems were commissioned in 2011 and 2012.

Filleted audited results: year to 30 November 2018

Net liabilities (480) **£'000**

Basis of valuation Third party valuation – discounted cash flow



Investment information

Income recognised in the year 139 **£'000**
 Total cost 1,291
 Valuation 2,365
 Voting rights 12.4 per cent.
 Voting rights for all Albion managed companies 50.0 per cent.



Website: www.greenhighland.co.uk

6. Chonais River Hydro Limited

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

Filleted audited results: year to 30 September 2018

Net liabilities (89) **£'000**

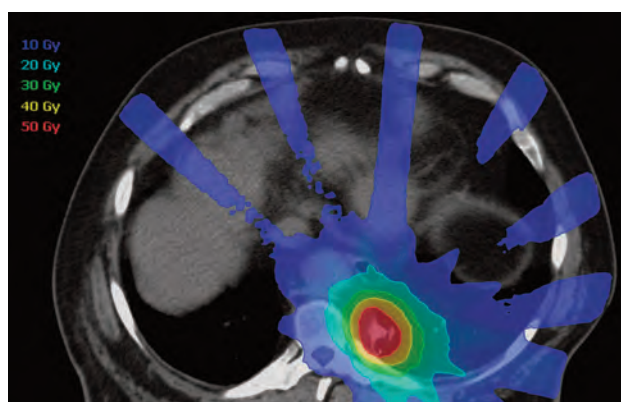
Basis of valuation Third party valuation – discounted cash flow

Investment information

Income recognised in the year 157 **£'000**
 Total cost 1,705
 Valuation 2,358
 Voting rights 4.6 per cent.
 Voting rights for all Albion managed companies 50.0 per cent.

7. Mirada Medical Limited

Mirada Medical develops medical imaging software that can identify tumours in medical images, and helps clinicians plan radiotherapy treatment of the cancer. By combining deep learning technology with a thorough understanding of the challenges faced in oncology today, Mirada is leading the development of next generation imaging software and decision support products. These products improve consistency and productivity while enabling clinicians to deliver more personalised care.



Website: www.mirada-medical.com

Audited results: year to 31 December 2018

Turnover 4,668 **£'000**
 LBITDA (778)
 Loss before tax (1,115)
 Net liabilities (2,578)
 Basis of valuation Cost and price of recent investment (reviewed for impairment or uplift)

Investment information

Income recognised in the year 4 **£'000**
 Total cost 909
 Valuation 2,057
 Voting rights 7.7 per cent.
 Voting rights for all Albion managed companies 42.4 per cent.



Website: www.regenerco.com

Filleted audited results: year to
31 December 2018

	£'000
Net liabilities	(323)

Basis of valuation	Third party valuation – discounted cash flow
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8. Regenerco Renewable Energy Limited

Regenerco Renewable Energy owns and operates solar PV systems on 15 commercial properties and circa 570 council owned homes in Cambridgeshire. It provides free and clean electricity to those homes and benefits from inflation-protected renewable subsidies for a period of 20 to 25 years. Most of the PV systems on commercial properties were commissioned in 2011 and 2012, and council housing in 2013.

Investment information

	£'000
Income recognised in the year	125
Total cost	1,204
Valuation	2,034
Voting rights	11.9 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

9. G.Network Communications Limited

G.Network is a fibre optic broadband provider focused on the provision of fibre broadband to SMEs in central London. Albion funds invested £4.7 million in total in 2017. The Company was founded in 2016. The Albion funds have been used to ramp up the build out of street units, as well as building the team, predominantly a dedicated sales and marketing team to sign up customers.



Website: www.g.network

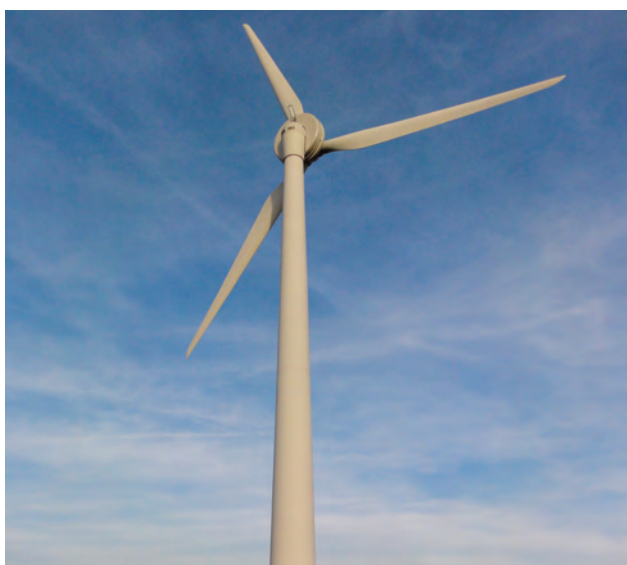
Filleted audited results: year to
31 March 2019

	£'000
Net assets	11,994

Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)
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Investment information

	£'000
Income recognised in the year	149
Total cost	273
Valuation	1,479
Voting rights	2.7 per cent.
Voting rights for all Albion managed companies	14.8 per cent.



Website: www.infiniteenergy.co.uk

10. Alto Prodotto Wind Limited

Alto Prodotto owns and operates three 500kW wind turbines in brown field areas of Wales, powering local business like a roof tile factory. It generates enough electricity to power about 1,500 typical homes. It benefits from inflation-protected renewable subsidies for a period of 20 years. The first two turbines were commissioned in 2012 and the third in 2014.

Filleted audited results: year to
31 March 2019

	£'000		£'000
Net assets	1,419	Income recognised in the year	74
Basis of valuation	Third party valuation – discounted cash flow	Total cost	761
		Valuation	1,284
		Voting rights	9.4 per cent.
		Voting rights for all Albion managed companies	50.0 per cent.

Net assets of a portfolio company where a recent third party valuation has taken place, may have a higher valuation in Albion Development VCT PLC accounts than in its 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 Development VCT PLC (the "Company") for the year ended 31 December 2019. The Statement of corporate governance on pages 34 to 38 forms a part of the Directors' report.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a Venture Capital Trust. It has been approved by H.M. Revenue & Customs ("HMRC") as a venture capital trust in accordance with the Income Tax Act 2007 and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 December 2019 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 Company's share capital comprises Ordinary shares. The Ordinary shares are designed for individuals who are professionally advised private investors seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments. The investments are spread over a number of sectors, to produce a regular and predictable source of income, combined with the prospect of longer term capital growth.

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

Shareholders are entitled to receive dividends and are entitled to the return of capital on winding up or other return of 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 9,212,958 Ordinary shares (2018: 3,083,024 Ordinary shares) under the Albion VCTs Top Up Offers and 754,878 Ordinary shares (2018: 641,886 Ordinary shares) under the Company's Dividend Reinvestment Scheme. Further information on the share capital is detailed in note 15.

Your Board, in conjunction with the boards of other VCTs managed by Albion Capital Group LLP, launched a prospectus top up offer of new Ordinary shares on 22 October 2019. The Company was pleased to announce on 7 January 2020 that it had reached its £8 million under the Albion VCTs Prospectus Top Up Offers 2019/20 which was fully subscribed and closed to further applications. In light of recent disposals made, the Board decided to not exercise its over-allotment facility.

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 and details of share buy backs in the year can be found in note 15.

Substantial interests and shareholder profile

As at 31 December 2019 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 Guidance and Transparency Rule 5 made to the Company during the year ended 31 December 2019, and up to the date of this Report.

Future developments of the business

Details on the future developments of the business can be found on page 8 of the Chairman's statement and on page 10 of the Strategic report.

Results and dividends

Detailed information on the results and dividends for the year ended 31 December 2019 can be found in the Strategic report on pages 9 and 10.

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.

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

Post balance sheet events

Details of events that have occurred since 31 December 2019 are shown in note 19.

Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 14 to 16 of the Strategic report.

VCT regulation

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

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings' (this has increased to 80 per cent. from 1 January 2020 for the Company);
- (3) At least 70 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. Investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement;
- (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 (the limits are £10 million

and £20 million respectively 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 the company is entering a new market and 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 preventing holdings of more than 15 per cent. by HMRC value in any portfolio company. The tests have been carried out and independently reviewed for the year ended 31 December 2019. The Company has complied with all tests and continues to do so.

'Qualifying holdings' include shares or securities (including unsecured 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 9.

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.

As at 31 December 2019, the HMRC value of qualifying investments (which includes a 12 month disregard for disposals since 6 April 2019) was 87.45 per cent. (2018: 80.48 per cent.). The Board continues to monitor this and all the VCT qualification requirements very carefully in order to ensure that all requirements are met and that qualifying investments comfortably exceed the current minimum threshold, which from 1 January 2020 is 80 per cent. (previously 70 per cent.) required for the Company to continue to benefit from VCT tax status. The Board and Manager are confident that the qualifying requirements can be met during the course of the year ahead.

Environment

The management and administration of the Company is undertaken by the Manager. 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.

Anti-bribery policy

The Company has 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.

Anti-facilitation of tax evasion policy

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

Diversity

The Board currently consists of three male Directors and one female Director. 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.

More details on the Directors can be found in the Board of Directors section on page 17.

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

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

in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Alternative Investment Fund Managers Directive ("AIFMD")

Under the Alternative Investment Fund Manager Regulations 2013 (as amended) the Company is a UK AIF and from 1 October 2018 the Manager is a full scope UK AIFM. Ocorian (UK) Limited provides depositary services under the AIFMD.

Material changes to information required to be made available to investors of the Company

The AIFMD outlines the required information which has to be made available to investors prior to investing in an AIF and directs that material changes to this information be disclosed in the Annual Report of the AIF. There were no material changes in the year.

Assets of the Company subject to special arrangements arising from their illiquid nature

There are no assets of the Company which are subject to special arrangements arising from their illiquid nature.

Remuneration (unaudited)

The Manager has a remuneration policy which meets the requirements of the AIFMD Remuneration Code and associated Financial Conduct Authority guidance. The remuneration policy together with the remuneration disclosures for the AIFM's reporting period for the year ended 31 March 2019 are available on the Company's webpage on the Manager's website.

Employees

The Company is managed by Albion Capital Group LLP and hence has no employees. The Board consists solely of non-executive Directors.

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 40.

All Directors, except Patrick Reeve, are members of the Audit Committee of which Lyn Goleby is Chairman.

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

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 or her in relation to the performance of his or her

duties as a Director of the Company. A copy of each Deed of Indemnity entered into by the Company for each Director is available at the registered office of the Company.

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 rules relating to non-mainstream investment products, are excluded securities and may be promoted to ordinary retail investors without restriction.

Re-election and election of Directors

Directors' re-election is subject to the Articles of Association and the UK Corporate Governance Code. The AIC Code recommends that all Directors submit themselves for re-election annually, therefore in accordance with the AIC Code, Ben Larkin, Lyn Goleby and Patrick Reeve will offer themselves for re-election. As Lord O'Shaughnessy has been appointed since the last Annual General Meeting, he will be subject to election at the forthcoming Annual General Meeting.

Approval of the Directors' Remuneration Policy

Shareholder approval of the Directors' Remuneration Policy is required every three years. The Remuneration Policy was last approved by shareholders at the 2017 AGM and is therefore being submitted for shareholder approval at the forthcoming AGM. There are no proposed changes to the Remuneration Policy. The Policy is set out on page 39.

Auditor

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

There have been significant changes in the market for the provision of audit services, particularly for listed companies. As a result, there have been increases in the levels of audit fees being charged to listed companies and further pressure on fees is likely in future years. The Board continues to believe that the Company's auditor provides a good and competitively priced service for the audit of the Company.

Annual General Meeting

The Annual General Meeting will be held at the offices of Albion Capital Group LLP, 1 Benjamin Street, London EC1M 5QL at noon on 9 June 2020. 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/AADV under the 'Financial Reports and Circulars' section.

The ordinary business resolutions 1 to 9 includes receiving and adopting the Company's accounts, to approve the Directors' remuneration policy and report, to re-elect all Directors and to appoint BDO as auditor for the next year end and to fix their remuneration.

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.

These resolutions replace the authorities given to the Directors at the Annual General Meeting in 2019. The authorities sought at the forthcoming Annual General Meeting will expire 15 months from the date that the resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Authority to allot shares

Ordinary resolution number 10 will request the authority to allot up to an aggregate nominal amount of £205,725 representing approximately 20 per cent. of the issued Ordinary share capital as at the date of this Report.

During the year, Ordinary shares were allotted as described in detail in note 15.

The Directors current intention is to allot shares under any Albion VCTs Share Offers and the Dividend Reinvestment Schemes. The Company currently holds 10,350,156 Ordinary shares in treasury representing 11.0 per cent. of the Ordinary share capital in issue as at 31 December 2019.

Disapplication of pre-emption rights

Special resolution number 11 will request authority for 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 £205,725 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.

Purchase of own shares

Special resolution number 12 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 12. Shares bought back under this authority may be cancelled or held in treasury.

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

This resolution would renew the 2019 authority, which was on similar terms. During the financial year under review, the Company purchased 1,278,000 Ordinary shares for treasury representing 1.4 per cent. of called up share capital, at an aggregate consideration of £1,013,000. No Ordinary shares were purchased for cancellation.

Recommendation

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

Disclosure of information to Auditor

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

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

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

By Order of the Board

Albion Capital Group LLP

Company Secretary

1 Benjamin Street
London, EC1M 5QL
27 March 2020

Statement of Directors' responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's webpage on the Manager's website (www.albion.capital/funds/AADV) 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 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 Guidance and Transparency Rule 4 of the UK Listing Authority

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with UK GAAP and give a true and fair view of the assets, liabilities, financial position and profit or loss 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.

For and on behalf of the Board

Ben Larkin

Chairman

27 March 2020

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 2018.

The Board of Albion Development VCT PLC has considered the Principles and Provisions of the AIC Code of Corporate Governance (“AIC Code”). The AIC Code addresses the Principles and Provisions set out in the Code, as well as setting out additional Provisions on issues that are of specific relevance to Albion Development VCT PLC and other investment companies. Closed-ended investment companies have particular factors which have an impact on their governance arrangements, principally from four features: outsourcing their day to day activities to external service providers and being governed by boards of non-executive directors; the importance of the Manager in the outsourcing compared to a typical supplier; having no executive directors or employees and consequently no executive remuneration packages; and no customers in the traditional sense, only shareholders.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders. The Company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the Code to make them relevant to investment companies.

Board of Directors

The Board consists solely of non-executive Directors. Ben Larkin is the Chairman and Lyn Goleby is the Senior Independent Director and Chairman of the Audit Committee. All Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager.

Ben Larkin, Lyn Goleby and Lord O’Shaughnessy are considered independent Directors. Lyn Goleby is the Senior Independent Director. Patrick Reeve is not an independent Director as he is chairman of Albion Capital Group LLP, the Manager.

The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director’s length of service reduces their ability to act independently of the Manager. The AIC Code requires that all Directors submit themselves for re-election annually, therefore in accordance with the AIC Code, Ben Larkin, Lyn Goleby and Patrick Reeve will offer themselves for re-election. As Lord O’Shaughnessy has been appointed since the last Annual General Meeting, he will offer himself for election at the forthcoming Annual General Meeting.

The Directors have a range of business and financial skills, including serving on the boards of other investment companies, which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 17. All of the Directors have demonstrated that they have sufficient time, skill and experience to acquit their Board responsibilities and to work together effectively. Directors are provided with key information on the Company’s activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. The Company has in place Directors’ & Officers’ Liability Insurance.

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

The Board met four times during 2019 as part of its regular programme of Board meetings. In addition, and in accordance with best practice, a further meeting took place without the Manager present. All Directors attended each meeting, except Lord O’Shaughnessy, who joined the Board on 8 July 2019 and attended the two meetings since that date. A sub-committee 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 2018/2019; and to approve the terms and contents of the Offer documents under the Albion VCTs Prospectus Top Up Offers 2019/2020. There is regular contact between individual members of the Board. Representatives of the Manager attend all Board meetings and participate in Board discussions, other than on matters where there might be a perceived conflict of interest between the Manager and the Company.

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

The Manager has authority over the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services, all of which are

subject to Board oversight. 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 AIC Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of the Auditor;
- approval of the dividend policy and payments of appropriate dividends to shareholders;
- the performance of the Company, including monitoring of the discount of share price to the net asset value;
- share buy-back and treasury share policies; and
- monitoring shareholder profile and considering shareholder communications.

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

Committees' and Directors' performance evaluation

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

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

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

Directors are offered training, both at the time of joining the Board and on other occasions where required. The Directors attend external courses and industry events which provides further experience to help them fulfil their responsibilities. The Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

In light of the performance of the individual Directors and the structured performance evaluation, Ben Larkin, Lyn Goleby, Lord O'Shaughnessy and Patrick Reeve, 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-appoint or appoint these Directors at the forthcoming Annual General Meeting and has nominated them for re-election or election accordingly. For more details on the specific background, skills and experience of each Director, please see the Board of Directors section on page 17.

Remuneration Committee

The Remuneration Committee consists of all Directors except Patrick Reeve, with Lord O'Shaughnessy as Chairman. The Committee held one formal meeting during the year, which was attended by all the members of the Committee at the time.

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/AADV under the Corporate Governance section.

Audit Committee

Lyn Goleby is Chairman of the Audit Committee and all Directors are members of this Committee except Patrick Reeve. In accordance with the AIC Code, members of the Audit Committee have recent and relevant financial experience, as well as experience relevant to the sector. Given the size of the Board and the complexity of the business, Ben Larkin is both Chairman of the Board and a member of the Audit Committee as his background, skills and experience are relevant for the Committee's responsibilities. The Committee met twice during the year ended 31 December 2019; all members attended, except Lord O'Shaughnessy who joined the Board on 8 July 2019, and therefore attended the one meeting after this date.

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/AADV 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 Financial Report, the Interim Management Statements which the Company will continue to publish and the associated announcements, with particular

Statement of corporate governance continued

focus on the main areas requiring judgement and on critical accounting policies;

- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the 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 and viability statements. 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 to back up the discussions. Taking into account risk factors that impact on the Company both as reflected in the annual accounts and in a detailed risk matrix, both of which are reviewed periodically in detail, including in the context of emerging risks;
- 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.

The Board, and particularly the audit committee, monitors closely developments in the provision of audit services and is aware that the costs of rendering audit services from most audit firms are increasing significantly, with more pressure on those firms who provide services to listed companies and for those companies operating in a regulated environment. The Board is satisfied from discussions with the current audit firm and from scrutiny of what is happening elsewhere, that BDO continues to provide the Company with an independent and expert review of its financial reporting from an audit firm with significant experience in the sector and on a competitive fee base for the work required in reporting on an extensive portfolio of unquoted investments. It is however anticipated that audit fees will increase in succeeding years, with the fee indicated for 2021 being £34,000, an increase of 10% over the audit fee for this year.

The Committee also examines going concern and viability statements, using financial projections provided by the Manager on the Company and by examining the liquidity in the Company's

portfolio, including cash and realisable investments, the committed costs of the Company and where liquidity might be found if required. The Audit Committee also receives regular reports on compliance with VCT status, which is subject to various internal controls and external review when investment commitments are made.

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 the issues were discussed with the external Auditor prior to the completion of the audit of the Financial Statements. No major conflicts arose between the Audit Committee and the external Auditor in respect of their work during the period.

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

The valuation of the Company's investments

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

Revenue recognition

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

Following detailed reviews of the Annual Report and Financial Statements and consideration of the key areas of risk identified, the Board as a whole have concluded that 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 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

Statement of corporate governance continued

external Auditor that they are independent. There were no non-audit fees charged to the Company during the year.

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

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

In order to form a view of the effectiveness of the external audit process, the Committee took into account information from the Manager regarding the audit process, the formal documentation issued to the Audit Committee and the Board by the external Auditor regarding the external audit for the year ended 31 December 2019, and assessments made by individual Directors, using their experiences elsewhere as required.

In 2017, the Audit Committee undertook a tendering exercise for the provision of audit services. As a result of this process, BDO LLP was retained as Auditor. BDO LLP first acted as Auditor for the year ended 31 December 2008 and this will be year 12 of their tenure. 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.

The Audit Committee also has an annual meeting with the external Auditor, without the Manager present, at which pertinent questions are asked to help the Audit Committee determine if the Auditor's skills and approach to the annual audit and issues that arise during the course of the audit match all the relevant and appropriate criteria for the audit to have been an effective and objective review of the Company's year-end reporting.

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

Nomination Committee

The Nomination Committee consists of all Directors, apart from Patrick Reeve, with Ben Larkin 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 held one formal meeting during the year, which was fully attended by all the members of the Committee, except Lord O'Shaughnessy who joined the Board on 8 July 2019, after this meeting took place.

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/AADV under the Corporate Governance section.

Internal control

In accordance with the AIC 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, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, 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. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities.

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

- segregation of duties between the preparation of valuations and recording into accounting records;
- independent third party valuations of the majority of the asset-based investments within the portfolio are undertaken annually;

- reviews of valuations are carried out by the Valuation Committee and reviews of financial reports are carried out by the operations partner of Albion Capital Group LLP;
- bank reconciliations are carried out monthly, and stock reconciliations are carried out six-monthly, by the Manager in accordance with the FCA requirements;
- all 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 published financial information.

During the year, as the Board has delegated the investment management and administration to Albion Capital Group LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board 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 Board reviewed internal audit reports prepared by PKF Littlejohn LLP, and have access to the internal audit partner of PKF Littlejohn LLP. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

In addition to this, Ocorian (UK) Limited, the Company's external Depository from 1 October 2018, provides cash monitoring, asset verification, and oversight services to the Company and reports to the Board on a quarterly basis. The Board and the Audit Committee will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Conflicts of interest

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

Capital structure and Articles of Association

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on pages 28, 31 and 32 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 and other stakeholders

The Company's Annual General Meeting on 9 June 2020 will be used as an opportunity to communicate with investors, and the Board, including the Chairman of the Audit Committee, will be available to answer questions. 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 typically includes a presentation from the Manager on the portfolio and on the Company, and a presentation from a portfolio company, however please see the Chairman's statement on page 8 for further information relating to special circumstances for this year's Meeting.

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. More information on share buy-backs can be found in the Chairman's statement on page 7.

Statement of compliance

The Directors consider that the Company has complied throughout the year ended 31 December 2019 with all the relevant provisions set out in the AIC Code issued in 2019. By reporting against the AIC Code, the Board are meeting their obligations in relation to the 2018 UK Corporate Governance Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules). The Directors also consider that they are complying with their statutory responsibilities and other regulatory provisions which have a bearing on the Company.

By Order of the Board

Ben Larkin

Chairman

27 March 2020

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 for the approval of the Directors' Remuneration Policy, a three yearly requirement, 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 below. The Auditor's opinion is included in the Independent Auditor's Report.

Annual statement from the Chairman of the Remuneration Committee

The Remuneration Committee comprises all Directors, excluding Patrick Reeve, with Lord O'Shaughnessy as Chairman.

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

Directors' remuneration policy

The Company's remuneration 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.

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.

The maximum level of non-executive Directors' remuneration is £100,000 per annum which is fixed by the Company's Articles of Association.

The AIC Code requires that all Directors submit themselves for re-election annually, therefore in accordance with the AIC Code, Ben Larkin, Lyn Goleby and Patrick Reeve will offer themselves for re-election. As Lord O'Shaughnessy has been appointed since the last Annual General Meeting, he will offer himself for election at the forthcoming Annual General Meeting.

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, 98.3% of shareholders voted for the resolution approving the Directors' remuneration report, 1.7% of shareholders voted against the resolution and of the total votes cast, 67,161 were withheld (being 0.1% of total voting rights), 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. The Committee meets at least once a year and met once during the year under review with full attendance from all of its members.

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

Directors' remuneration

The following items have been audited.

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

	31 December 2019 £'000	31 December 2018 £'000
Ben Larkin	23.0	22.0
Lyn Goleby	22.4	22.0
Patrick Reeve	–	–
Lord O'Shaughnessy (appointed 8 July 2019)	11.4	–
Geoffrey Vero (passed away 19 May 2019)	12.0	24.0
	68.8	68.0

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 £9,762 (2018: £6,860).

Directors' remuneration report continued

The Directors' remuneration for the year ending 31 December 2020 is expected to be £69,000.

Directors' interests

The Directors and their interests in the shares of the Company (together with those of their immediate family) are shown below:

	31 December 2019	31 December 2018
Ben Larkin	220,109	150,567
Lyn Goleby	23,014	–
Patrick Reeve	172,885	166,363
Lord O'Shaughnessy (appointed 8 July 2019)	–	–
Geoffrey Vero (passed away 19 May 2019)	N/A	41,394
	416,008	358,324

After the year end, Ben Larkin, subscribed for new shares under the Albion VCTs Prospectus Top Up Offers 2019/20 and was issued with 58,962 shares as part of the 31 January 2020 allotment.

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

The following items have not been audited.

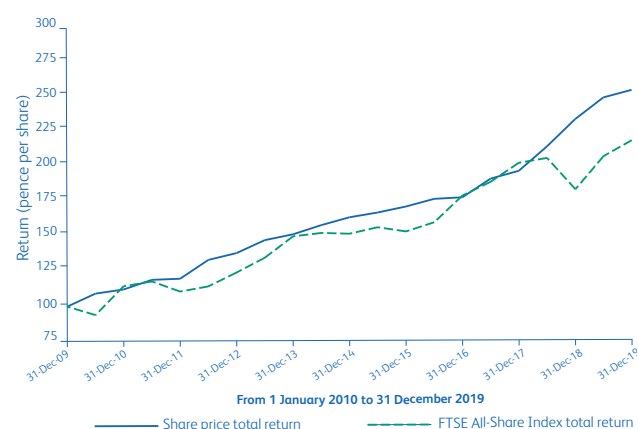
Albion Capital Group LLP, its partners and staff hold 652,413 Ordinary shares in the Company.

Performance graph

The graph that follows shows the Company's share price total return relative to the FTSE All-Share Index total return, in both instances with dividends reinvested, since 1 January 2010. 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.

Share price total return relative to FTSE All-Share Index total return (in both cases with dividends reinvested)



Source: Albion Capital Group LLP

Methodology: The share price return to the shareholder, including original amount invested (rebased to 100) from 1 January 2010, assuming that dividends were re-invested at the share price of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

Directors' pay compared to distribution to shareholders

	2019 £'000	2018 £'000	Percentage increase
Total distribution to shareholders including dividends	3,760	3,005	25.1%
Share buybacks	1,013	921	10.0%
Total Directors' fees	68.8	68.0	1.2%

By Order of the Board

Ben Larkin

Director

27 March 2020

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

Opinion

We have audited the financial statements of Albion Development VCT PLC (the "company") for the year ended 31 December 2019 which comprise the income statement, the balance sheet, the statement of changes in equity and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the directors' confirmation in the annual report that they have carried out a robust assessment of the company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the

going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

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

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
<p>Valuation of investments (Note 2 and 11 to the financial statements)</p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting both equity and loan stock portions.</p> <p>The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 5.</p> <p>As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.</p>	<p>We tested a sample of 77% of the unquoted investment portfolio by value of investment holdings.</p> <p>70% of the unquoted portfolio is based on valuations using net assets, cost (where the investment was recently acquired), the price of a recent investment, or an offer to acquire the investee company. For such investments, we checked the cost, net assets or third party offer to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 December 2019.</p> <p>The remaining 30% of the investment portfolio is valued with reference to more subjective techniques with 23% supported by a valuation performed by experts (18% based on discounted cash flows and 5% using earnings multiples). The remaining 7% of the portfolio is valued using multiples of revenue or earnings, as described in note 11.</p> <p>Our detailed testing for such investments, performed on all investments within our sample comprised:</p> <ul style="list-style-type: none"> • 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 investment valuations • Challenged the assumptions inherent to valuation of unquoted investments and assessment of impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements • Where a valuation has been performed by a third party management's expert, we have assessed the competence and capabilities of that expert, the quality of their work and their qualifications, as well as challenging the basis of inputs and assumptions used by the expert. We have also considered any updates for subsequent information to the valuation made by the investment manager and obtained appropriate evidence for those changes • Where appropriate, we have performed sensitivity analysis on the valuation calculations where there is sufficient evidence to suggest reasonable alternative inputs might exist • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation. • Verified and benchmarked key inputs and estimates to independent information from our own research and against metrics from the most recent investments. <p>For investments not included in our detailed testing, we performed the following procedures where relevant:</p> <ul style="list-style-type: none"> • Considered whether the valuation had been prepared by a suitably qualified individual • Considered whether a valid IPEV methodology had been adopted • Considered whether the valuation used up to date trading information • Performed analytical procedures, by considering any changes to the valuation methodology from last year <p>For a sample of loans held at fair value included above, we:</p> <ul style="list-style-type: none"> • 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 (i.e. the investment as a whole) • Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP. <p>Key observations</p> <p>Based on the procedures performed we concluded that the valuation of the portfolio of investments was not materially misstated.</p>

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

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
<p>Revenue recognition (Note 2 and 4 to the financial statements) interest earned on loans to investee companies, as well as dividends receivable from investee companies. Revenue recognition is considered to be a significant risk, particularly the assessment of the recoverability of loan interest income, and the completeness of dividends, as it is one of the key drivers of dividend returns to investors. Income arises from unquoted investments and can be difficult to predict. It is often a key factor in demonstrating the performance of the portfolio.</p>	<p>We have considered the design and implementation of controls in place over the completeness and validity of receipts based on the portfolio of investments held and also considered any uncertainty around the future receipt of any accrued fixed rate income. We developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid. 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 have tested the classification of income between revenue and capital by identifying any dividend yields above 5% as this would appear to be unusual for a non capital dividend. We have tested the accuracy of the accounting for redemption premiums by ensuring that the returns have been spread over the life of the instrument. Key observations As a result of performing the above procedures, we did not find any material misstatements in respect of revenue recognition.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels 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 three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality. (2% of gross investments).	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> The value of gross investments The level of judgement inherent in the valuation The range of reasonable alternative valuations 	£1,028,000 (31 December 2018: £1,053,000)
Performance materiality. (75% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> Financial statement materiality Risk and control environment History of prior errors (if any) 	£771,000 (31 December 2018: £789,000)

We have set a lower testing threshold for those items impacting revenue return of £66,000 which is based on 10% of revenue return before tax.

In prior year we set a formal specific materiality threshold for those items impacting revenue return of £88,000 which is based on 10% of revenue income.

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

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £21,000 (2018 - £21,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the company's activities, 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.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the company's qualification as a VCT under UK tax legislation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the

financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 December 2008 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 31 December 2019 by the Board. The period of total uninterrupted engagement is 12 years, covering the years ending 31 December 2008 to 31 December 2019.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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.

Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

27 March 2020

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

Income statement

	Note	Year ended 31 December 2019			Year ended 31 December 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	3,074	3,074	–	12,326	12,326
Investment income	4	1,294	–	1,294	881	–	881
Investment management fee	5	(357)	(1,070)	(1,427)	(334)	(1,004)	(1,338)
Performance incentive fee	5	–	–	–	(105)	(315)	(420)
Other expenses	6	(268)	–	(268)	(231)	–	(231)
Profit on ordinary activities before tax		669	2,004	2,673	211	11,007	11,218
Tax (charge)/credit on ordinary activities	8	(76)	76	–	(30)	30	–
Profit and total comprehensive income attributable to shareholders		593	2,080	2,673	181	11,037	11,218
Basic and diluted return per share (pence)*	10	0.73	2.55	3.28	0.20	14.80	15.00

* adjusted for treasury shares

The accompanying notes on pages 50 to 63 form an integral part of these Financial Statements.

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

Balance sheet

	Note	31 December 2019 £'000	31 December 2018 £'000
Fixed asset investments	11	51,406	52,663
Current assets			
Current asset investments	13	3,878	1,243
Trade and other receivables less than one year	13	304	1,128
Cash and cash equivalents		14,529	9,189
		18,711	11,560
Total assets		70,117	64,223
Payables: amounts falling due within one year			
Trade and other payables less than one year	14	(434)	(845)
Total assets less current liabilities		69,683	63,378
Equity attributable to equityholders			
Called up share capital	15	938	839
Share premium		36,712	28,406
Capital redemption reserve		12	12
Unrealised capital reserve		14,702	16,234
Realised capital reserve		15,151	11,539
Other distributable reserve		2,168	6,348
Total equity shareholders' funds		69,683	63,378
Basic and diluted net asset value per share (pence)*	16	83.47	84.70

* excluding treasury shares

The accompanying notes on pages 50 to 63 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 27 March 2020 and were signed on its behalf by

Ben Larkin
Chairman

Company number: 03654040

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 January 2019	839	28,406	12	16,234	11,539	6,348	63,378
Profit and total comprehensive income for the period	-	-	-	1,667	413	593	2,673
Transfer of unrealised gains on disposal of investments	-	-	-	(3,199)	3,199	-	-
Purchase of shares for treasury	-	-	-	-	-	(1,013)	(1,013)
Issue of equity	99	8,521	-	-	-	-	8,620
Cost of issue of equity	-	(215)	-	-	-	-	(215)
Dividends paid	-	-	-	-	-	(3,760)	(3,760)
As at 31 December 2019	938	36,712	12	14,702	15,151	2,168	69,683
As at 1 January 2018	801	25,704	12	10,892	5,844	10,093	53,346
Profit and total comprehensive income for the period	-	-	-	8,560	2,477	181	11,218
Transfer of unrealised gains on disposal of investments	-	-	-	(3,218)	3,218	-	-
Purchase of shares for treasury	-	-	-	-	-	(921)	(921)
Issue of equity	38	2,761	-	-	-	-	2,799
Cost of issue of equity	-	(59)	-	-	-	-	(59)
Dividends paid	-	-	-	-	-	(3,005)	(3,005)
As at 31 December 2018	839	28,406	12	16,234	11,539	6,348	63,378

* These reserves amount to £17,319,000 (2018: £17,887,000) which is considered distributable.

Statement of cash flows

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash flow from operating activities		
Loan stock income received	1,131	809
Deposit interest received	49	38
Dividend income received	151	56
Investment management fee paid	(1,435)	(1,284)
Performance incentive fee paid	(420)	–
Other cash payments	(253)	(227)
Corporation tax paid	–	–
Net cash flow from operating activities	(777)	(608)
Cash flow from investing activities		
Purchase of current asset investments	(2,400)	(1,400)
Purchase of fixed asset investments	(5,675)	(5,722)
Disposal of fixed asset investments	10,560	7,154
Net cash flow from investing activities	2,485	32
Cash flow from financing activities		
Issue of share capital	7,807	2,244
Cost of issue of shares	(30)	(3)
Equity dividends paid	(3,132)	(2,510)
Purchase of own shares (including costs)	(1,013)	(921)
Net cash flow from financing activities	3,632	(1,190)
Increase/(decrease) in cash and cash equivalents	5,340	(1,766)
Cash and cash equivalents at start of period	9,189	10,955
Cash and cash equivalents at end of period	14,529	9,189

Notes to the Financial Statements

1. Basis of preparation

The Financial Statements have been prepared in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 (“FRS 102”), and with the 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 (“IPEV”) Guidelines as issued in 2018 and further detail on the valuation techniques used are in note 2 below.

Company information is shown on page 2.

2. Accounting policies

Fixed and current asset investments

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

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

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

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

- Investments listed on recognised exchanges 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 IPEV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, cost or price of recent investment rounds, net assets and industry valuation benchmarks. Where price of recent investment is used as a starting point for estimating fair value at subsequent measurement dates, this has been benchmarked using an appropriate valuation technique permitted by the IPEV guidelines.
- In situations where cost or price of recent investment is used, 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.

Current assets and payables

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

2. Accounting policies (continued)

Investment income

Equity income

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

Unquoted loan stock income

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

Bank interest income

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

Investment management fees, performance incentive fees and expenses

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

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

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 reserve

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

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, or permanent diminutions in value;
- 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 in smaller companies principally based in the UK.

Notes to the Financial Statements continued

3. Gains on investments

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Unrealised gains on fixed asset investments	1,431	8,717
Unrealised gains/(losses) on current asset investments	236	(157)
Realised gains on fixed asset investments	1,407	3,766
	<u>3,074</u>	<u>12,326</u>

4. Investment income

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Loan stock interest and other fixed returns	977	787
UK dividend income	268	56
Bank deposit interest	49	38
	<u>1,294</u>	<u>881</u>

5. Investment management fees

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Investment management fee charged to revenue	357	334
Investment management fee charged to capital	1,070	1,004
Performance incentive fee charged to revenue	–	105
Performance incentive fee charged to capital	–	315
	<u>1,427</u>	<u>1,758</u>

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid is given in the Strategic report on page 12.

During the year, services of a total value of £1,427,000 (2018: £1,338,000) were purchased by the Company from Albion Capital Group LLP in respect of management fees. There is no performance incentive fee payable this year (2018: £420,000). At the financial year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals was £347,000 (2018: £775,000). The total annual running costs of the Company are capped at an amount equal to 2.5 per cent. of the Company's net assets, with any excess being met by Albion by way of a reduction in management fees. During the year, the management fee was reduced by £105,000 as a result of this cap (2018: £nil).

During the year, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (2018: £nil).

Albion Capital Group LLP, its partners and staff hold 652,413 Ordinary shares in the Company.

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the year ended 31 December 2019, fees of £198,000 attributable to the investments of the Company were received by Albion Capital Group LLP pursuant to these arrangements (2018: £190,000).

The Company has entered into an offer agreement relating to the Offers with the Company's investment manager Albion Capital Group LLP, pursuant to which Albion Capital will receive a fee of 2.5 per cent. of the gross proceeds of the Offers and out of which Albion Capital will pay the costs of the Offers, as detailed in the Prospectus.

Notes to the Financial Statements continued

5. Investment management fees (continued)

Additionally, an amount of £2,400,000 was invested in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") (2018: £1,400,000) as part of the Company's management of surplus liquid funds. To avoid double charging, Albion agreed to reduce its management fee relating to the investment in the OUEIF by 0.75 per cent. per annum, which represents the OUEIF management fee charged by OLIM. This resulted in a further reduction of the management fee of £20,000 (2018: £3,000).

6. Other expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Directors' fees (including NIC)	74	74
Auditor's remuneration for statutory audit services (excluding VAT)	31	28
Other administrative expenses	163	129
	<u>268</u>	<u>231</u>

7. Directors' fees

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Directors' fees	69	68
National insurance	5	6
	<u>74</u>	<u>74</u>

The Company's key management personnel are the non-executive Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 39 and 40.

8. Tax on ordinary activities

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
UK corporation tax charge in respect of current year	-	-
	<u>-</u>	<u>-</u>

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Factors affecting the tax charge:		
Return on ordinary activities before taxation	<u>2,673</u>	<u>11,218</u>
Tax charge on profit at the average companies rate of 19 per cent. (2018: 19 per cent.)	508	2,131
Factors affecting the charge:		
Non-taxable gains	(584)	(2,342)
Income not taxable	(51)	(11)
Excess management expenses carried forward	<u>127</u>	<u>222</u>
	<u>-</u>	<u>-</u>

Notes to the Financial Statements continued

8. Tax on ordinary activities (continued)

The tax charge for the year shown in the Income statement is lower than the average companies rate of corporation tax in the UK of 19 per cent. (2018: 19 per cent.). The differences are explained above.

Notes

- (i) Venture Capital Trusts are not subject to corporation tax on capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate and allocating the relief between revenue and capital in accordance with the SORP.
- (iii) The Company has excess management expenses of £2,652,000 (2018: £1,983,000) that are available for offset against future profits. A deferred tax asset of £451,000 (2018: £337,000) has not been recognised in respect of these losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

9. Dividends

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Dividend of 2.00p per Ordinary share paid on 31 May 2018	–	1,505
Dividend of 2.00p per Ordinary share paid on 28 September 2018	–	1,503
Dividend of 2.25p per Ordinary share paid on 31 May 2019	1,880	–
Dividend of 2.25p per Ordinary share paid on 30 September 2019	1,885	–
Unclaimed dividends	(5)	(3)
	<u>3,760</u>	<u>3,005</u>

Details of the consideration issued under the Dividend Reinvestment Scheme included in the dividends above can be found in note 15.

In addition to the dividends summarised above, the Board has declared a first dividend of 2.25 pence per Ordinary share for the year ending 31 December 2020, payable on 29 May 2020 to shareholders on the register on 11 May 2020. The total dividend will be approximately £2,082,000.

10. Basic and diluted return per share

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit attributable to equity shares (£'000)	593	2,080	2,673	181	11,037	11,218
Weighted average shares in issue (adjusted for treasury shares)		81,487,820			74,732,976	
Return attributable per equity share (pence)	0.73	2.55	3.28	0.20	14.80	15.00

The weighted average number of Ordinary shares is calculated after adjusting for treasury shares of 10,350,156 (2018: 9,072,156).

There are no convertible instruments, derivatives or contingent share agreements in issue so basic and diluted return per share are the same.

Notes to the Financial Statements continued

11. Fixed asset investments

	31 December 2019 £'000	31 December 2018 £'000
Investments held at fair value through profit or loss		
Unquoted equity and preference shares	37,372	34,327
Unquoted loan stock	14,012	18,205
Quoted equity	22	131
	<u>51,406</u>	<u>52,663</u>
	31 December 2019 £'000	31 December 2018 £'000
Opening valuation	52,663	42,291
Purchases at cost	6,595	6,518
Disposal proceeds	(10,519)	(8,556)
Realised gains	1,407	3,766
Movement in loan stock accrued income	(171)	(73)
Unrealised gains	1,431	8,717
	<u>51,406</u>	<u>52,663</u>
Closing valuation	51,406	52,663
Movement in loan stock accrued income		
Opening accumulated loan stock accrued income	284	357
Movement in loan stock accrued income	(171)	(73)
	<u>113</u>	<u>284</u>
Closing accumulated loan stock accrued income	113	284
Movement in unrealised gains		
Opening accumulated unrealised gains	16,215	10,716
Transfer of previously unrealised gains to realised reserve on disposal of investments	(3,199)	(3,218)
Movement in unrealised gains	1,431	8,717
	<u>14,447</u>	<u>16,215</u>
Closing accumulated unrealised gains	14,447	16,215
Historic cost basis		
Opening book cost	36,164	31,218
Purchases at cost	6,595	6,518
Sales at cost	(5,913)	(1,572)
	<u>36,846</u>	<u>36,164</u>
Closing book cost	36,846	36,164

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

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

Notes to the Financial Statements continued

11. Fixed asset investments (continued)

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

Valuation methodology	31 December 2019 £'000	31 December 2018 £'000
Cost and price of recent investment (reviewed for impairment or uplift)	33,479	27,717
Third party valuation – discounted cash flow	9,104	8,951
Revenue multiple	2,969	3,272
Third party valuation - earnings multiple	2,723	8,244
Net assets	2,347	2,293
Earnings multiple	762	671
Contracted sale price	–	1,384
	51,384	52,532

When using the cost or price of a recent investment in the valuations the Company looks to 're-calibrate' this price at each valuation point by reviewing progress within the investment, comparing against the initial investment thesis, assessing if there are any significant events or milestones that would indicate the value of the investment has changed and considering whether a market-based methodology (i.e. using multiples from comparable public companies) or a discounted cashflow forecast would be more appropriate.

The main inputs into the calibration exercise, and for the valuation models using multiples, are revenue, EBITDA and P/E multiples (based on the most recent revenue, EBITDA or earnings achieved and equivalent corresponding revenue, EBITDA or earnings multiples of comparable companies), quality of earnings assessments and comparability difference adjustments. Revenue multiples are often used, rather than EBITDA or earnings, due to the nature of the Company's investments, being in growth and technology companies which are not normally expected to achieve profitability or scale for a number of years. Where an investment has achieved scale and profitability the Company would normally then expect to switch to using an EBITDA or earnings multiple methodology.

In the calibration exercise and in determining the valuation for the Company's equity instruments, comparable trading multiples are used. In accordance with the Company's policy, appropriate comparable companies based on industry, size, developmental stage, revenue generation and strategy are determined and a trading multiple for each comparable company identified is then calculated. The multiple is calculated by dividing the enterprise value of the comparable group by its revenue, EBITDA or earnings. The trading multiple is then adjusted for considerations such as illiquidity, marketability and other differences, advantages and disadvantages between the portfolio company and the comparable public companies based on company specific facts and circumstances.

Fair value investments had the following movements between valuation methodologies between 31 December 2018 and 31 December 2019:

Change in valuation methodology (2018 to 2019)	Value as at 31 December 2019 £'000	Explanatory note
Price of recent investment to revenue multiple	1,173	Discounted revenue multiple more relevant based on current trading
Revenue multiple to price of recent investment	832	Recent external funding round

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 IPEV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2019.

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.

Notes to the Financial Statements continued

11. Fixed asset investments (continued)

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

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

Investments held at fair value through profit or loss (Level 3) had the following movements:

	31 December 2019 £'000	31 December 2018 £'000
Opening balance	52,532	42,109
Additions	6,595	6,518
Disposals	(10,513)	(8,556)
Accrued loan stock interest	(171)	(73)
Realised gains	1,510	3,766
Unrealised gains	1,431	8,768
Closing balance	<u>51,384</u>	<u>52,532</u>

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. 85 per cent. of the portfolio of investments is based on cost, recent investment price, net assets, or is loan stock, and as such the Board considers that the assumptions used for their valuations are the most reasonable. The Directors believe that changes to reasonable possible alternative assumptions (by adjusting the revenue and earnings multiples) for the valuations of the remainder of the portfolio companies could result in an increase in the valuation of investments by £444,000 or a decrease in the valuation of investments by £443,000. For valuations based on earnings and revenue multiples, the Board considers that the most significant input is the price/earnings ratio; for valuations based on third party valuations, the Board considers that the most significant inputs are price/earnings ratio, discount factors and market values for buildings; which have been adjusted to drive the above sensitivities.

12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments 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 investment listed below is held as part of an investment portfolio and therefore, as permitted by FRS 102 section 9.9B, it is measured at fair value through profit and loss and not consolidated as a subsidiary.

The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio companies as at 31 December 2019 as described below:

Company	Registered address and country of incorporation	Principal activity	Aggregate capital and reserves £'000	% class and share type	% total voting rights held by the Company	Profit/(loss) before tax £'000
Albion Investment Properties Limited	EC1M 5QL, UK	Former owner of residential property	(736)	68.2% A Ordinary	68.2%	n/a*

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

Notes to the Financial Statements continued

13. Current assets

	31 December 2019 £'000	31 December 2018 £'000
Current asset investments		
SVS Albion OLIM UK Equity Income Fund	3,878	1,243

Current asset investments at 31 December 2019 consist of cash invested in SVS Albion OLIM UK Equity Income Fund and is capable of realisation within 7 days. These fall into the level 1 fair value hierarchy as defined in note 11.

	31 December 2019 £'000	31 December 2018 £'000
Trade and other receivables less than one year		
Prepayments and accrued income	17	16
Other receivables	287	1,112
	304	1,128

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

14. Payables: amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Accruals and deferred income	417	836
Trade payables	17	9
	434	845

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

15. Called up share capital

	£'000
Allotted, called up and fully paid shares:	
83,860,469 Ordinary shares of 1 penny each at 31 December 2018	839
9,967,836 Ordinary shares of 1 penny each issued during the year	99
93,828,305 Ordinary shares of 1 penny each at 31 December 2019	938
9,072,156 Ordinary shares of 1 penny each held in treasury at 31 December 2018	(91)
1,278,000 Ordinary shares of 1 penny each purchased during the year to be held in treasury	(13)
10,350,156 Ordinary shares of 1 penny each held in treasury at 31 December 2019	(104)
Voting rights of 83,478,149 Ordinary shares of 1 penny each at 31 December 2019	835

The Company purchased 1,278,000 Ordinary shares (2018: 1,253,456) at a cost of £1,013,000 including stamp duty (2018: £921,000) to be held in treasury during the year to 31 December 2019. Total share buy backs in 2019 represents 1.4 per cent. (2018: 1.5 per cent.) of called-up share capital as at 31 December 2019.

The Company holds a total of 10,350,156 shares (2018: 9,072,156) in treasury representing 11.0 per cent. (2018: 10.8 per cent.) of the issued Ordinary share capital at 31 December 2019.

Notes to the Financial Statements continued

15. Called up share capital (continued)

Under the terms of the Dividend Reinvestment Scheme, the following new Ordinary shares of nominal value 1 penny each were allotted during the year:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
31 May 2019	376,536	4	83.91	301	78.50
30 September 2019	378,342	4	83.03	298	79.00
	754,878	8		599	

Under the terms of the Albion VCTs Prospectus Top Up Offers 2018/19, the following new Ordinary shares of nominal value 1 penny each, were allotted during the year:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
1 April 2019	1,483,587	15	86.00	1,257	79.50
1 April 2019	280,678	3	86.50	238	79.50
1 April 2019	6,249,810	62	86.90	5,296	79.50
5 April 2019	680,623	7	86.90	577	80.50
12 April 2019	165,805	2	86.00	140	80.50
12 April 2019	3,699	–	86.50	3	80.50
12 April 2019	348,756	3	86.90	296	80.50
	9,212,958	92		7,807	

16. Basic and diluted net asset value per share

	31 December 2019 (pence per share)	31 December 2018 (pence per share)
Basic and diluted net asset value per Ordinary share	83.47	84.70

The basic and diluted net asset values per share at the year end are calculated in accordance with the Articles of Association and are based upon total shares in issue (less treasury shares) of 83,478,149 Ordinary shares as at 31 December 2019 (2018: 74,788,313).

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 28 of the Directors' report.

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

17. Capital and financial instruments risk management (continued)

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

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

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

Investment risk

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

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

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

The maximum investment risk as at the Balance sheet date is the value of the fixed and current asset investment portfolio which is £55,284,000 (2018: £53,906,000). Fixed asset and current asset investments form 79 per cent. of net asset value as at 31 December 2019 (2018: 85 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. The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual holdings. The Directors monitor the Manager's compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

Valuations are based on the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEV Guidelines. Details of the industries in which investments have been made are contained in the pie chart on page 9 of 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 IPEV Guidelines.

As required under FRS 102 the Board is required to illustrate by way of a sensitivity analysis the extent to which the assets are exposed to market risk. The Board considers that the value of the fixed and current asset investment portfolio is sensitive to a change of between 15% to 30% based on the current economic climate. The impact of a 15% to 30% change has been selected as this is a range which is considered reasonable given the current level of volatility observed. When considering the appropriate level of sensitivity to be applied, the Board has considered both historic performance and future expectations.

At the lower end of the range, the sensitivity of a 15% increase or decrease in the valuation of the fixed and current asset investment portfolio (keeping all other variables constant) would increase or decrease the net asset value and return for the year by £8,292,600. At the higher end of the range, the sensitivity of a 30% increase or decrease in the valuation of the fixed and current asset investment portfolio (keeping all other variables constant) would increase or decrease the net asset value and return for the year by £16,585,200.

Notes to the Financial Statements continued

17. Capital and financial instruments risk management (continued)

Interest rate risk

The Company is exposed to fixed and floating rate interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it was estimated that a rise of 1 per cent. in all interest rates would have increased total return before tax for the year by approximately £121,000 (2018: £139,000). Furthermore, it was 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. (2018: 5.3 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 6.0 years (2018: 5.1 years).

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

	31 December 2019				31 December 2018			
	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	–	–	37,372	37,372	–	–	34,327	34,327
Quoted equity	–	–	22	22	–	–	131	131
Unquoted loan stock	12,913	193	906	14,012	17,542	201	462	18,205
Current asset investments	–	–	3,878	3,878	–	–	1,243	1,243
Receivables*	–	–	289	289	–	–	1,114	1,114
Current liabilities	–	–	(434)	(434)	–	–	(845)	(845)
Cash	–	14,529	–	14,529	–	9,189	–	9,189
Total	12,913	14,722	42,033	69,668	17,542	9,390	36,432	63,364

*The receivables do not reconcile to the Balance sheet as prepayments 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 and other similar instruments prior to investment, and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. For loan stock investments made prior to 6 April 2018, which account for 87 per cent. of loan stock by value, typically loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the portfolio company in order to mitigate the gross credit risk. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment-specific credit risk.

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

The Company's total gross credit risk at 31 December 2019 was limited to £14,012,000 (2018: £18,205,000) of unquoted loan stock instruments, £14,529,000 (2018: £9,189,000) of cash deposits with banks and £304,000 (2018: £1,128,000) of other receivables.

At the Balance sheet date, the cash held by the Company was 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 was mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, with high credit ratings assigned by international credit-rating agencies.

Notes to the Financial Statements continued

17. Capital and financial instruments risk management (continued)

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

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

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited Balance sheet, which amounts to £6,760,000 as at 31 December 2019 (2018: £6,169,000).

The Company had no committed borrowing facilities as at 31 December 2019 (2018: nil) and the Company had cash balances of £14,529,000 (2018: £9,189,000), and current asset investments of £3,878,000 (2018: £1,128,000), which are considered to be readily realisable within the timescales required to make cash available for investment. The main cash outflows are for new investments, 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 of the Company's financial liabilities are short term in nature and total £434,000 (2018: £845,000).

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

Redemption date	31 December 2019				31 December 2018			
	Fully performing	Valued below cost	Past due	Total	Fully performing	Valued below cost	Past due	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	1,515	613	1,618	3,746	1,996	911	1,311	4,218
1-2 years	608	113	–	721	2,704	171	1,484	4,359
2-3 years	1,658	112	–	1,770	677	112	116	905
3-5 years	1,825	211	–	2,036	2,645	222	–	2,867
5+ years	5,623	–	116	5,739	5,741	–	115	5,856
Total	11,229	1,049	1,734	14,012	13,763	1,416	3,026	18,205

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

The cost of loan stock investments valued below cost is £1,682,000 (2018: £1,746,000).

In view of the availability of adequate cash balances and the repayment profile of loan stock investments, 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 December 2019 are stated at fair value as determined by the Directors, with the exception of receivables, 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. Contingencies and commitments

As at 31 December 2019, the Company had no financial commitments (2018: £nil).

There were no contingent liabilities or guarantees given by the Company as at 31 December 2019 (2018: £nil).

Notes to the Financial Statements continued

19. Post balance sheet events

The following are the post balance sheet events since 31 December 2019:

- Investment of £601,000 in SVS Albion OLIM UK Equity Income Fund; and
- Investment of £575,000 in a new portfolio company, Concirrus Limited.

The following new Ordinary shares of nominal value 1 penny each were allotted under the Albion VCTs Prospectus Top Up Offers 2019/20 after 31 December 2019:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Issue price (pence per share)	Net consideration received £'000	Opening market price on allotment date (pence per share)
31 January 2020	1,843,797	18	84.80	1,540	79.50
31 January 2020	401,498	4	85.30	336	79.50
31 January 2020	6,789,082	68	85.70	5,674	79.50
	9,034,377	90		7,550	

Since the Company's year end the world has been plunged into a healthcare emergency the possible extent of which cannot yet be assessed. This will likely have an adverse impact on the market multiples used when valuing portfolio companies and will impact on our own forecasting models. The Board and the Manager will be undertaking an analysis of the underlying portfolio companies with a view to announcing an unaudited net asset value as at 31 March 2020 by the end of April 2020. More details on this can be found in the Chairman's statement on page 7.

20. Related party transactions

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

Notice of Annual General Meeting

SHAREHOLDERS, WHILST ENCOURAGED TO VOTE ON THE RESOLUTIONS BEING PROPOSED, SHOULD TAKE NOTE OF PREVAILING HEALTH ADVICE IN CONSIDERING WHETHER TO ATTEND THE AGM (SEE PAGE 8).

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Development VCT PLC (the “Company”) will be held at the offices of Albion Capital Group LLP, 1 Benjamin Street, London, EC1M 5QL on 9 June 2020 at noon for the following purposes:

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

Ordinary Business

1. To receive and adopt the Company’s accounts for the year ended 31 December 2019 together with the report of the Directors and Auditor.
2. To approve the Directors’ remuneration policy.
3. To approve the Directors’ remuneration report for the year ended 31 December 2019.
4. To elect Lord O’Shaughnessy as a Director of the Company.
5. To re-elect Ben Larkin as a Director of the Company.
6. To re-elect Lyn Goleby as a Director of the Company.
7. To re-elect Patrick Reeve as a Director of the Company.
8. To re-appoint BDO LLP as Auditor of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the audited accounts are to be laid.
9. To authorise the Directors to agree the Auditor’s remuneration.

Special Business

10. Authority to allot shares

That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) to allot shares in the Company up to an aggregate nominal amount of £205,725 for Ordinary shares provided that this authority shall expire 15 months from the date that this resolution is passed, or, if earlier, the conclusion of the next Annual General Meeting of the Company but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

11. Authority for the disapplication of pre-emptive rights

That, subject to the authority and conditional on the passing of resolution number 10, the Directors be empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 10 and/or sell Ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale.

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

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

12. Authority to purchase own shares

That, 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, on such terms as the Directors think fit, provided always that:

- (a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 15,419,116 or, if lower, such number of Ordinary shares as shall equal 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of the passing of this resolution (excluding any Ordinary shares held in treasury);
- (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share is 1 penny;
- (c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for an Ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (d) the authority hereby conferred shall, unless previously revoked, varied or renewed, expire 15 months from the date that this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting; and
- (e) the Company may make a contract or contracts to purchase Ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By Order of the Board

Albion Capital Group LLP

Company Secretary

Registered office

1 Benjamin Street

London, EC1M 5QL

27 March 2020

Albion Development VCT PLC is registered in England and Wales with company number 03654040

Notice of Annual General Meeting continued

Notes

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

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

To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by noon on 5 June 2020.

In accordance with good governance practice, the Company is offering shareholders use of an online service, offered by the Company’s registrar, Computershare Investor Services, at www.investorcentre.co.uk/eproxy. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of noon on 5 June 2020 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company’s registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/CREST. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (‘the Act’) to enjoy information rights (a “Nominated Person”) may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.
3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at noon on 5 June 2020 (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 noon on 5 June 2020. 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

Notice of Annual General Meeting continued

member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his or her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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/AADV under the 'Financial Reports and Circulars' section.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. Copies of contracts of service and letters of appointment between the Directors and the Company, together with the Register of Directors' Interests in the Ordinary shares of the Company, will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the Articles of Association will be available for inspection at the Company's registered office from the date of 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.
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 26 March 2020 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 102,862,682 Ordinary shares. The Company holds 10,350,156 shares in treasury. Therefore, the total voting rights in the Company as at 26 March 2020 are 92,512,526.





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The Association of
Investment Companies

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of Investment Companies



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