

Albion Development VCT PLC

Annual Report and Financial
Statements for the year
ended 31 December 2020



2020

AlbionCapital



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Company information

Company number

03654040

Directors

B Larkin LLB, Chairman
L M Goleby MA (Cantab)
Lord O'Shaughnessy
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

Corporate broker

Panmure Gordon (UK) Limited
One New Change
London, EC4M 9AF

Taxation adviser

Philip Hare & Associates LLP
Hamilton House
1 Temple Avenue
London, EC4Y 0HA

Legal adviser

Bird & Bird LLP
12 New Fetter Lane
London, EC4A 1JP

Depositary

Ocorian Depositary (UK) Limited
Level 5, 20 Fenchurch Street
London, EC3M 3BY

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

Shareholder information

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

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

Shareholders can also contact the Chairman directly on AADVchair@albion.capital

Financial adviser information

For enquiries relating to the performance of the Company and information for financial advisers please contact the Business Development team at Albion Capital Group LLP:

Email: info@albion.capital

Tel: 0207 601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri; calls are recorded)

Website: www.albion.capital

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 £54.5 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	7 May 2021
Annual General Meeting	Noon on 12 May 2021
Payment of first dividend	28 May 2021
Announcement of Half-yearly results for the six months ending 30 June 2021	August 2021

Financial highlights

186.91p

Total shareholder value per Ordinary share from launch to 31 December 2020

3.82%

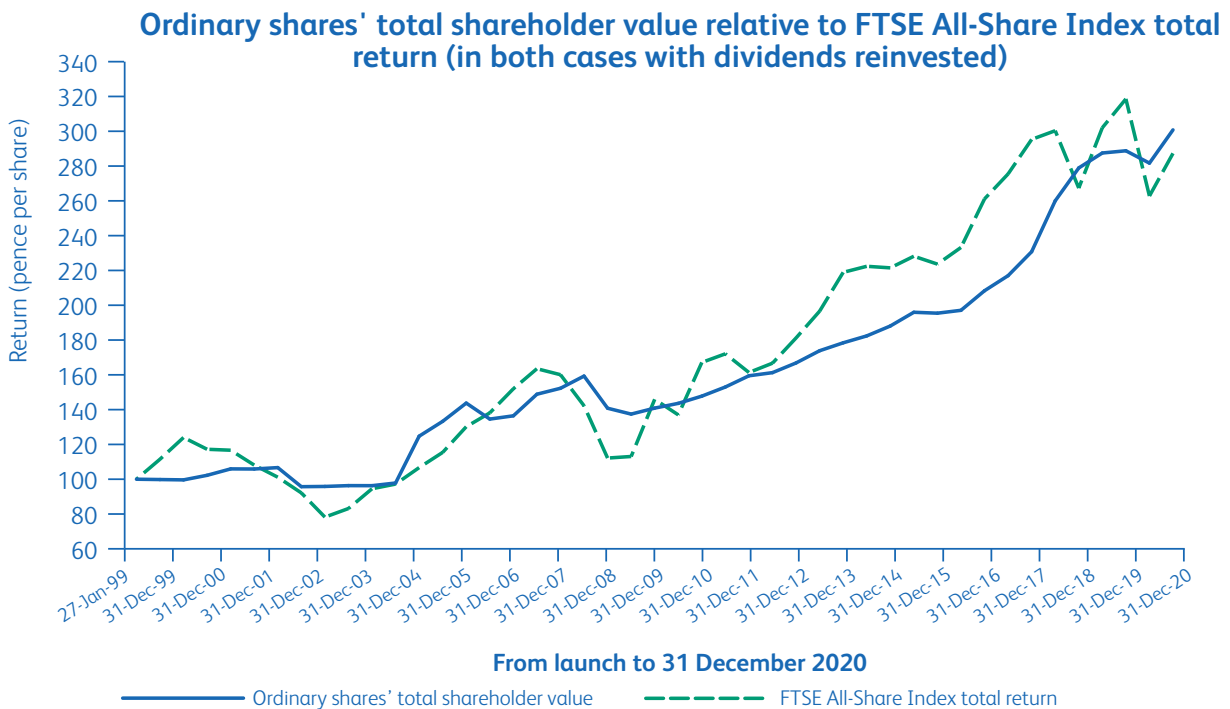
Shareholder return for the year ended 31 December 2020[†]

4.24p

Tax-free dividend per Ordinary share for the year ended 31 December 2020

82.42p

Net asset value per Ordinary share as at 31 December 2020



Source: Albion Capital Group LLP

Methodology: The total shareholder value 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.

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

Financial highlights continued

Ordinary shares	31 December 2020 pence per share	31 December 2019 pence per share
Opening net asset value	83.47	84.70
Capital return	3.15	2.55
Revenue return	0.02	0.73
Total return	3.17	3.28
Dividends paid	(4.24)	(4.50)
Impact from share capital movements	0.02	(0.01)
Net asset value	82.42	83.47

Total shareholder value to 31 December 2020:

	Ordinary shares (pence per share)
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
31 December 2004	4.00
31 December 2005	5.20
31 December 2006	3.00
31 December 2007	5.00
31 December 2008	12.00
31 December 2009	4.00
31 December 2010	8.00
31 December 2011	5.00
31 December 2012	5.00
31 December 2013	5.00
31 December 2014	5.00
31 December 2015	5.00
31 December 2016	5.00
31 December 2017	4.00
31 December 2018	4.00
31 December 2019	4.50
31 December 2020	4.24
Total dividends paid to 31 December 2020	104.49
Net asset value as at 31 December 2020	82.42
Total shareholder value to 31 December 2020	186.91

The financial summary above is for the Company, Albion Development VCT PLC Ordinary shares only. Details of the financial performance of the C shares and D shares, which have been merged into the Ordinary shares, can be found at www.albion.capital/funds/AADV under the 'Financial summary for previous funds' section.

In addition to the dividends paid above, the Board has declared a first dividend for the year ending 31 December 2021 of 2.06 pence per Ordinary share payable on 28 May 2021 to shareholders on the register on 7 May 2021.

Notes

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

Chairman's statement



Ben Larkin
Chairman



‘Total return for the year of 3.17 pence per Ordinary share’

Introduction

I am pleased to announce that the Company has achieved a positive total return for the year of 3.17 pence per Ordinary share, in what has been a particularly difficult year for so many businesses and individuals. This return represents a 3.80 % gain on opening net asset value. The year saw a difficult first half, whilst the Company and its portfolio companies came to terms with the initial Covid-19 lockdown with a total loss of 2.34 %. The second half has been rather better with the Company benefitting from the resilience of its portfolio in several of its healthcare and software businesses despite the healthcare pandemic. Although the full implications of the Covid-19 pandemic are still unknown, I am optimistic that our portfolio companies will continue to add value, and we can still find new investment opportunities which will increase shareholder value over the longer term.

Investment performance and progress

There have been several realisations during the year totalling £3.2 million (2019: £10.5 million). The sale of G.Network Communications has been completed, with a strong headline total return of 3.8 times cost, although the terms of the sale will see proceeds being received in three years' time. In the current year, this still reflects a substantial £1.3 million of realised gains. Another strong exit returning 2.1 times cost was our holding in Clear Review, which was sold to the Advanced Computer Software Group. Further details on realisations can be found in the realisations table on page 23. I am also pleased to announce the Company has completed the sale of OmPrompt Holdings after the year end, which reflects a total return of 2.2 times cost. The sales proceeds have been received by the Company and this uplift is accounted for in the net asset value.

The Manager took the decision to dispose of the Company's investment in the SVS Albion OLIM UK Equity Income Fund following a period of poor performance, with the fund being impacted by the Covid-19 driven falls of UK quoted equities

and the negative outlook for the UK Equity Income sector. It is the Board's intention that the sale proceeds shall be redeployed into innovative unquoted growth companies where the Company is seeing resilient growth. This has resulted in a disappointing £0.8 million loss on cost, after allowing for dividends received and reduction in management fees over the life of the investment.

The results for the year showed net valuation gains on investments of £4.1 million, an increase from £3.1 million in the previous year. The key contributors were the uplift on Quantexa, which has been revalued after a further externally led funding round and Proveca, which continues to trade well both within the UK and EU. Egress Software Technologies has also contributed to this uplift, after winning some key new contracts during the Covid-19 pandemic, such as track and trace in higher education. OmPrompt Holdings also contributed to the valuation gain, due to the sale which completed post year end. However, Covid-19 has impacted some of our portfolio companies negatively, and there were write-downs including Mirada Medical, due to the

current difficulties selling to overstretched hospitals, and Sandcroft Avenue (trading as Hussle), which has been impacted by the ongoing closure of gyms.

The Company has been an active investor during the year investing a total of £5.2 million. Of this, £2.1 million was invested into six new portfolio companies, all of which are targeted to require further investment as the companies prove themselves and grow:

- £575,000 into Concirrus, a software provider bringing real-time behavioural data analytics to the marine and transport insurance sector;
- £492,000 into The Voucher Market (trading as WeGift), a cloud platform that enables corporates to purchase digital gift cards and to distribute them to employees and customers;
- £356,000 into Seldon Technologies, a software company that enables enterprises to deploy Machine Learning models in production;
- £344,000 into Credit Kudos, a challenger credit bureau helping lenders optimise and automate their affordability and risk assessments;
- £207,000 into TransFICC, a provider of a connectivity solution, connecting financial institutions with trading venues via a single API; and
- £128,000 into uMedeor (trading as uMed), a middleware technology platform that enables life science organisations to conduct medical research programmes.

A further £3.1 million was invested into existing portfolio companies, including: £1.4 million into Quantexa to support the growth of its analytics platform which helps detect and protect against financial crime; £334,000 into uMotif, to continue to grow their clinical trials technology platform; and £301,000 into Phrassee to support its growth.

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

Dividends and results

The Company paid dividends totalling 4.24 pence per share during the year ended 31 December 2020 (2019: 4.50 pence per share). The total return after tax was £2.9 million compared to £2.7 million in the year to 31 December 2019.

As set out in the Half-yearly Financial Report to 30 June 2020, the Board considered it appropriate to move to a variable dividend policy targeting an annual dividend yield of around 5%, based on prevailing net asset value rather than at a fixed rate, as it has been in the past. Semi-annual dividends will be paid, calculated as 2.5% of the most recently announced net asset value when the dividend is declared (in most cases this will be the net asset value announced in the Half-yearly Financial Report or in the Annual Report and Financial Statements). Therefore, the Board has declared a first dividend for the financial year ending 31 December 2021 of 2.06 pence per Ordinary share payable on 28 May 2021 to shareholders on the register on 7 May 2021.

Risks and uncertainties

The wide reaching implications of the Covid-19 crisis is the key risk facing the Company, including its impact on the UK and Global economies. There may still also be further potential implications of the UK's departure from the European Union which may adversely affect our underlying portfolio companies. The Manager is continually assessing the exposure to such risks for each portfolio company, and where possible appropriate mitigating actions are being taken.

A detailed analysis of the other risks and uncertainties facing the business is shown in the Strategic report on pages 15 and 16.

“ The results for the year showed net valuation gains on investments of £4.1 million ”



“ Registration details for the live stream (AGM) will be available at www.albion.capital/funds/AADV prior to the Meeting ”

Share buy-backs

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

It is the Board's intention that such buy-backs should be at around a 5% discount to net asset value, in so far as market conditions and liquidity permit.

Albion VCTs Prospectus Top Up Offers

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 5 January 2021. The Board announced on 26 January 2021 that, following strong demand, it would utilise the over-allotment facility, bringing the total to be raised to £10 million. The Offer was fully subscribed and closed to further applications on 11 February 2021.

The proceeds are being used to provide support to our existing portfolio companies during the current pandemic and to enable us to take advantage of new investment opportunities. The first allotment of the shares under the Offer was on 26 February 2021. Details of share allotments made during and after the financial year end can be found in notes 15 and 19 respectively.

Annual General Meeting

The Board has been considering the current rules around the Covid-19 pandemic on the arrangements for our forthcoming Annual General Meeting ("AGM"). These arrangements may be subject to change, and we will keep shareholders up to date on our Manager's website at www.albion.capital/vct-hub/agms-events.

We are required by law to hold an AGM within six months of our financial year end. Whilst the roadmap announced by the government gives a target of no earlier than 21 June 2021 as the date all legal limits on mixing will be lifted, the Board is hesitant to delay the AGM, as the roadmap is clear that data rather than dates are the true driver of restrictions. The Board also consider last year's AGM to have been successfully live streamed, and therefore the AGM will be held at noon on 12 May 2021, at the registered office being 1 Benjamin Street, London, EC1M 5QL.

Full details of the business to be conducted at the Annual General Meeting are given in the Notice of the Meeting on pages 67 to 70 and in the Directors' report on pages 32 and 33.

Covid-19 social distancing restrictions will still be in place, and consequently it will not be possible to allow shareholders entry into the building where the AGM is held. The quorum for the meeting is two, therefore two Directors will attend in person to allow the continuation of this AGM. There will also be a representative of Albion Capital Group LLP as Company Secretary. Our Articles of

Association do not currently allow hybrid or wholly virtual AGMs, however, as outlined below a resolution is being proposed to allow this in the future.

As discussed above, following the success of the live streamed AGM last year, and in order to maintain shareholder engagement, the Board have decided to again live stream the AGM, which will include a presentation from the Manager, the formal business of the AGM and answering questions we receive from shareholders. Registration details for the live stream will be available at www.albion.capital/funds/AADV prior to the Meeting.

We always welcome questions from our shareholders at the AGM, and again this year we request that shareholders submit their questions to the Board in advance of the AGM. Shareholders can submit questions up until noon on 10 May 2021 by emailing your questions to: AADVchair@albion.capital. Following the Meeting, a summary of responses will be published on the Manager's website at www.albion.capital/funds/AADV.

Shareholders' views are important, and the Board encourages shareholders to vote on the resolutions 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 AGM and recommends shareholders to vote in favour of all the resolutions being proposed.

Virtual and Hybrid Annual General Meetings

As noted above, the Company's Articles of Association do not currently allow for hybrid or virtual meetings. The Covid-19 pandemic, and the resulting social distancing rules, have brought to the Board's attention the importance of the ability to continue to interact with shareholders during unprecedented times. A resolution will be proposed at the upcoming AGM to update the Articles of Association to allow the Company to have the flexibility to hold hybrid or virtual meetings in the future, if required.

Outlook and prospects

This has been an extraordinary year, with the impact of Covid-19 heavily impacting the wider economy and some of our portfolio companies. However, we have also seen resilience in the portfolio, with some companies performing well despite the challenging times. We have also seen several new investments in companies continuing to grow through innovation and with the ambition to have a positive impact on the society in which they operate. We continue to support our portfolio companies to make investments and consider that the portfolio is well positioned to drive further long term growth.

Ben Larkin

Chairman

26 March 2021

Strategic report

Investment policy

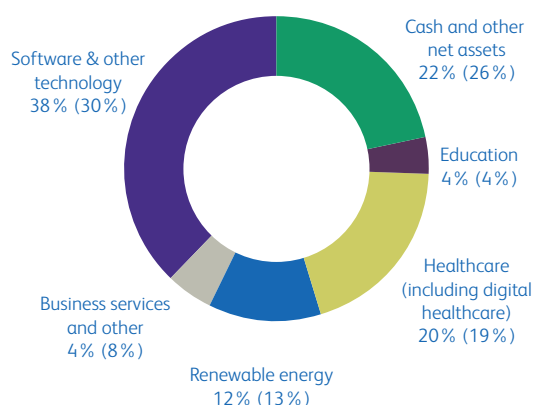
The Company will invest in a broad portfolio of higher growth businesses with a stronger focus on technology companies across a variety of sectors of the UK economy. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that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

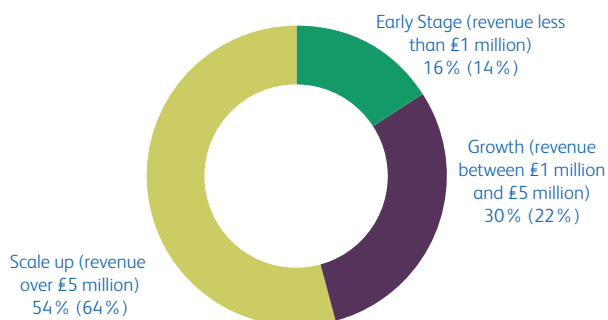
The following pie charts show the split of the portfolio valuation as at 31 December 2020 by: sector; stage of investment; and number of employees. This is a useful way of assessing how the Company and its portfolio is diversified across sector, portfolio companies' maturity measured by revenues and their size measured by the number of people employed. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 21 and 22.

Investment portfolio by sector



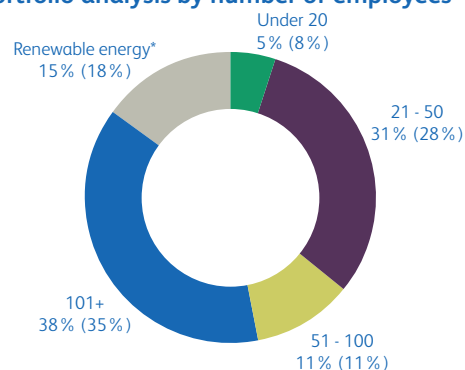
Comparatives for 31 December 2019 are shown in brackets
Source: Albion Capital Group LLP

Portfolio analysis by stage of investment



Comparatives for 31 December 2019 are shown in brackets
Source: Albion Capital Group LLP

Portfolio analysis by number of employees



Comparatives for 31 December 2019 are shown in brackets

Source: Albion Capital Group LLP

*Renewable energy investments have no employees

Direction of portfolio

With six new portfolio companies this year focused in the digital health and software sectors, we continue to see the asset based part of the portfolio reduce. We consider the portfolio to be well balanced, in both sector and stage of investment, given the restrictions the VCT rules place on investments. The cash balance of 22%, which has increased with the allotment on 26 February 2021 leaves the Company able to support our existing portfolio during the ongoing Covid-19 pandemic, as well as continuing to find new investments to add value to shareholders.

Results and dividend policy

	Ordinary shares £'000
Net capital gain for the year	2,896
Net revenue return for the year	17
Total return for the year ended 31 December 2020	2,913
Dividend of 2.25 pence per share paid on 29 May 2020	(2,077)
Dividend of 1.99 pence per share paid on 30 September 2020	(1,843)
Unclaimed dividends	4
Transferred from reserves	(1,003)
Net assets as at 31 December 2020	75,859
Net asset value per share as at 31 December 2020 (pence)	82.42

The Company paid dividends totalling 4.24 pence per Ordinary share (2019: 4.50 pence per Ordinary share). As described in the Chairman's statement, the Board has moved to a variable dividend policy which targets an annual dividend yield of around 5% on the prevailing net asset value. As a result, the Board has declared a first dividend for the year ending 31 December 2021 of 2.06 pence per Ordinary share payable on 28 May 2021 to shareholders on the register on 7 May 2021.

As shown in the Income statement on page 49, the total investment income decreased to £692,000 (2019: £1,294,000). This is substantially due to Radnor House capitalising interest, in order to fund future capital expenditure and the repayment of the G.Network Communications loan, including the interest that had been rolled up, in the prior year. The revenue return to equity holders has subsequently decreased to £17,000 (2019: £593,000).

The capital return for the year has increased to £2,896,000 (2019: £2,080,000). As discussed in the Chairman's statement on pages 6 and 7, this is mainly attributable to the uplifts in the valuations of Quantexa, Proveca, Egress and OmPrompt. This was partly offset by the reductions in Mirada Medical and Sandcroft Avenue (trading as Hussle). We remain confident that the portfolio will deliver over the longer term, and we consider that the Company has performed well to show positive capital returns in a year where Covid-19 has had such a devastating impact on the economy.

The total return was 3.17 pence per share (2019: 3.28 pence per share). The Balance sheet on page 50 shows that the net asset value has marginally decreased over the year to 82.42 pence per share (2019: 83.47 pence per share), which is primarily as a result of the dividends paid in the year totalling 4.24 pence per share.

There was a net cash inflow for the Company of £1,116,000 for the year (2019: £5,340,000), mainly resulting from the issue of Ordinary shares under the Albion VCTs Top Up Offers 2019/20. Cash inflow from fundraising has been utilised by investments into new and existing portfolio companies, dividends paid, operating activities and the buy-back of shares.

Review of business and future changes

The results for the year to 31 December 2020 show total shareholder value of 186.91 pence per Ordinary share since launch (2019: 183.72 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 remain a small proportion of overall returns, with the majority of 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, the ongoing impact of Covid-19 remains unknown, however, the Board believes that the Company's portfolio is well balanced across sectors and risk classes, which has been shown by the increase in shareholder value during the year and continues to have the potential to deliver returns to shareholders over the long term.

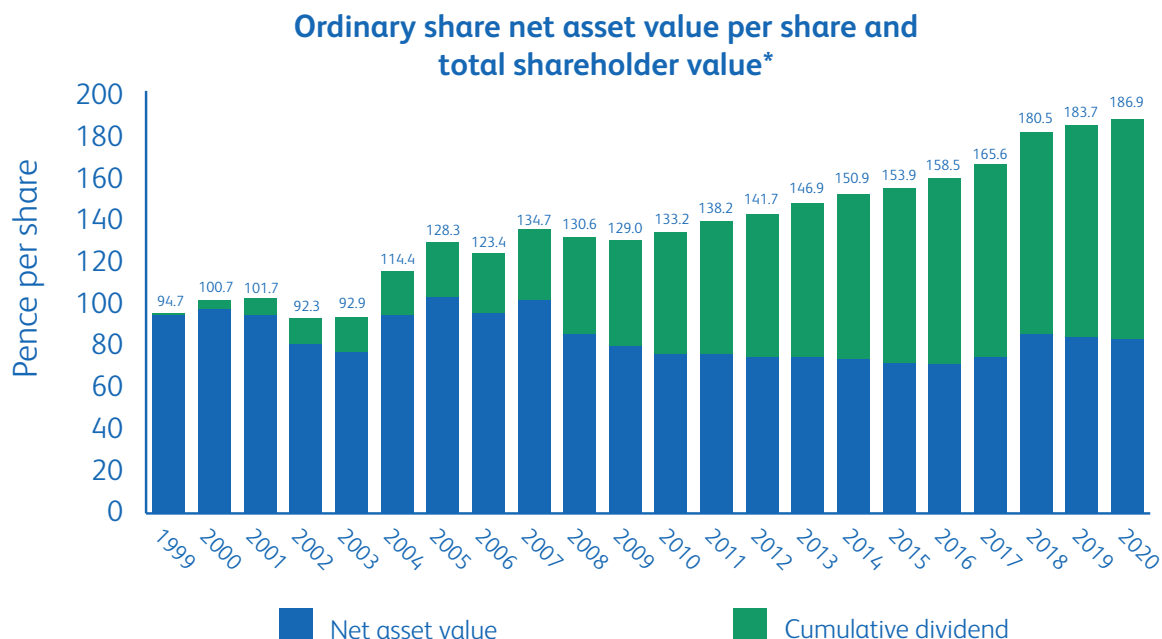
Key Performance Indicators ("KPIs") and Alternative Performance Measures ("APMs")

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 value relative to FTSE All-Share Index total return

The graph on page 4 shows the total shareholder value 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 value



*Total shareholder value is net asset value plus cumulative dividends paid since launch to 31 December 2020.

Total return to shareholders increased by 3.82% on opening net asset value to 186.91 pence per Ordinary share for the year ended 31 December 2020 as a result of the positive total return of 3.19 pence per share.

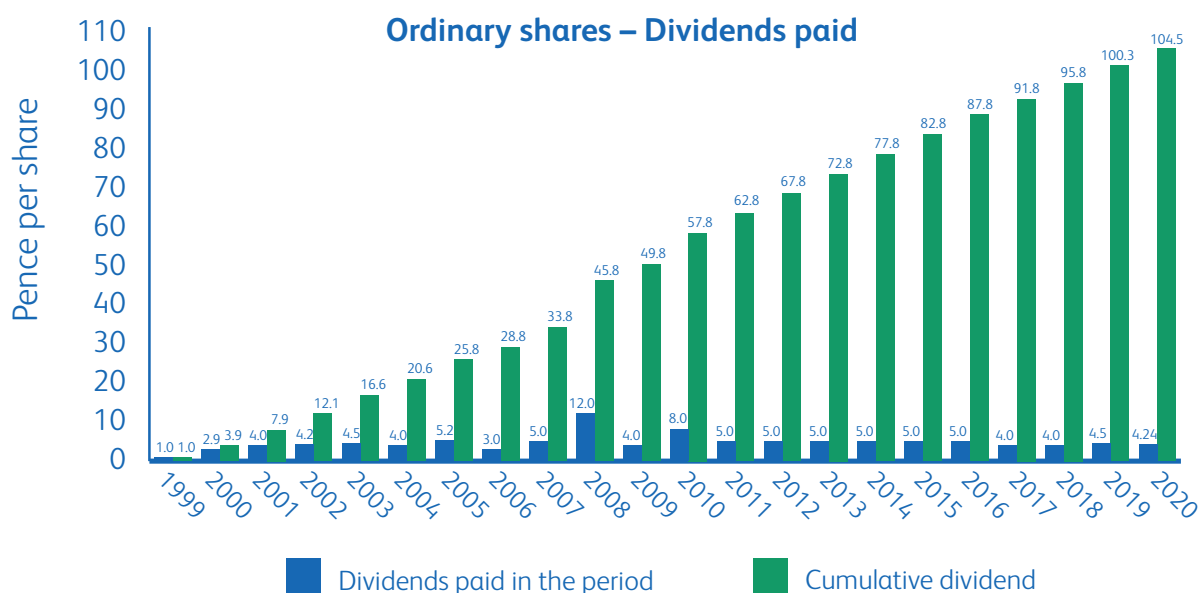
3. Movement in shareholder value in the year†

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
7.1%	4.6%	6.9%	5.4%	4.1%	6.5%	10.0%	20.3%	3.8%	3.8%

Source: Albion Capital Group LLP

†Calculated as 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 2020 were 4.24 pence per share (2019: 4.50 pence per share). Cumulative dividends paid since inception are 104.49 pence per share.

5. Ongoing charges

The ongoing charges ratio for the year to 31 December 2020 was 2.5% (2019: 2.5%). The ongoing charges ratio has been calculated using The Association of Investment Companies' ("AIC") recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The ongoing charges cap is 2.5%, which has resulted in a saving of £97,000 to shareholders during the year (2019: £105,000).

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 30.

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 December 2020. 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 defined 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% of the net asset value of the Company paid quarterly in arrears.

Additionally, for the period that the Company held the investment in the SVS Albion OLIM UK Equity Income Fund ("OUEIF"), Albion agreed to reduce that proportion of its management fee relating to the OUEIF by 0.75% 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% 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% on each

investment made and also monitoring fees where the Manager has a representative on the portfolio company's board.

Management performance incentive

As an incentive to maximise the return to investors, the Manager is entitled to charge an incentive fee in the event that the returns exceed minimum target levels.

The performance fee 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 net asset value per share. The starting net asset value 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.

As at 31 December 2020, the total return since 1 January 2019 was 91.16 pence, and the hurdle was 90.93 pence, resulting in an excess of 0.23 pence per share. As a result, a performance incentive fee is payable to the Manager of £42,000 (2019: £nil).

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 and the HMRC VCT qualifying tests.

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 80% qualifying holdings investment requirement for VCT status;
- the long term prospects of the current portfolio of investments;
- the management of treasury, including use of buy back and participation in fund raising;
- 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 2014 as required by the AIFMD. The Manager is a

full-scope Alternative Investment Fund Manager under the AIFMD. Ocorian Depository (UK) Limited is the appointed Depository and oversees the custody and cash arrangements and provides 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 way 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; its portfolio companies; 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 regular dividends and the prospect of capital growth. During the year, the Board has approved a new dividend policy, further details of which can be found in the Chairman's statement on page 7.

The Board temporarily suspended buy-backs on 18 March 2020 due to the increasing uncertainty of the net asset value at the time. Buy-backs were resumed from 22 April 2020 after the announcement of the Interim Management Statement which included the net asset value for 31 March 2020. The buy-back policy is an important means of providing market liquidity for shareholders.

Shareholders' views are important and the Board encourages shareholders to vote on the resolutions at the AGM. The Company's AGM is typically used as an opportunity to communicate with investors, including through a presentation made by the investment management team. However, due to the ongoing impact of the coronavirus outbreak, special circumstances are again required for this year's AGM and further details are in the Chairman's statement on page 8.

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 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. The Board takes close account of how the Manager operates, with very close contact during the year and not just at scheduled Board meetings. Details of the Manager's and Board's responsibilities can be found in the Statement of corporate governance on pages 36 to 40.

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 portfolio companies are considered key stakeholders, not least because they are principal drivers of value for the Company. As discussed in the Environmental, Social and Governance ("ESG") section below, the portfolio companies' impact on their stakeholders is also important to the Company. In most cases, an Albion executive has a place on the board of a portfolio company, in order to help with both business operation decisions, as well as good ESG practice.

The Board receives reports on ESG factors within its portfolio from the Manager as it is a signatory of the UN Principles for Responsible Investment ("UN PRI"). 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 focused around cash management and deployment of cash for future investments, dividends and share buy-backs, resulting in the decision to participate in the Albion VCTs Top Up Offers 2020/21.

Time was also spent in ensuring the Board met Corporate Governance requirements which continue to evolve. During the year the Board held a further meeting in addition to its scheduled quarterly meetings to discuss the effect of the Covid-19 pandemic on the Company's portfolio.

Environmental, Social, and Governance ("ESG")

The Company's Manager, Albion Capital Group LLP, takes the concept of sustainable and responsible investment very seriously for existing investments and in reviewing new investment opportunities. In turn, the Board is kept apprised of ESG issues in connection with both the portfolio and in how Company affairs are conducted more generally as a regular part of Board oversight.

Albion Capital Group LLP is a signatory of UN PRI. 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.

The Board and Manager have exercised conscious principles in making responsible investments throughout the life of the Company, not least in providing finance for promising 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 are 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 all small companies), but some of which will grow and serve important societal demands. One of the most important drivers of performance 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.

In the nature of venture capital investment, Albion Capital Group LLP is more intimately involved in the affairs of portfolio companies than might be the case for funds invested in listed securities. As such, Albion Capital Group LLP is in a position to influence good governance and behaviour in the portfolio companies, many of which are relatively small companies without the support of a larger company's administration and advisory infrastructure.

The Company adheres to the principles of the AIC Code of Corporate Governance and is also aware of other governance and 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.

The Company's portfolio is currently invested in healthcare, renewable energy, education, software and other technology (which includes cyber security and data protection), with the most significant percentage of the Company's portfolio invested in sectors and companies which would be seen by many measures to be both sustainable and socially aware on the services they render.

Albion Capital Group LLP incorporates ESG considerations into its investment decisions. These form part of its process to create value for investors and develop sustainable long-term strategies for portfolio companies. Albion Capital Group LLP reports ESG criteria to UN PRI (annually) and to the Board quarterly.

ESG principles are integrated at the pre-investment, investment and exit stages. This is reflected in transparency of reporting, governance principles adopted by the Company and the portfolio companies, and increasingly in the positive environmental or socially impactful nature of investments made. Albion Capital Group LLP, where relevant, considers climate-specific issues in its investment policies and activities. However, as the majority of the Company's portfolio consists of small (2-250 full time employees), private, typically software companies with limited environmental impact, climate change is not considered to be a significant risk, and actions are proportionate to that risk.

Pre-investment stage

An exclusion list is used to rule out investments in unsustainable areas, or in areas that might be perceived as socially detrimental. ESG due diligence is performed on each potential portfolio company to identify any sustainability risks associated with the investment. Identified sustainability risks are ranked from low to high and are reported to the relevant investment committee. The investment committee considers each potential investment. If sustainability risks are identified, mitigations are assessed and, if necessary, mitigation plans are put in place. If this is not deemed sufficient, the committee would consider the appropriate level and structure of funding to balance the associated risks. If this is not possible, investment committee approval will not be provided, and the investment will not proceed.

Investment stage

All new and existing portfolio companies are asked to report against an ESG Balanced Score Card annually. The ESG Balanced Score Card contains a number of sustainability factors against which a portfolio company will be assessed in order to determine the potential sustainability risks and opportunities arising from the investment. The score cards form part of the Manager's internal review meetings alongside discussions around other risk factors, and any outstanding issues are addressed in collaboration with the portfolio companies' senior management.

Exit stage

Albion Capital Group LLP aims to ensure that good ESG practices remain in place following exit. For example, by ensuring that the company creates a self-sustaining ESG management system during our period of ownership, wherever feasible.

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, however, it is at the core of its responsible investment strategy as detailed above.

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

These are set out in the Directors' report on page 31.

General Data Protection Regulation

The General Data Protection Regulation has the objective of unifying data privacy requirements across the European Union, and continues to apply in the United Kingdom after Brexit. The Manager continues to take action to ensure that the Manager and the Company are compliant with the regulation.

Risk management

The Board carries out a regular review of the risk environment in which the Company operates, together with 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 risk has been the global pandemic which has impacted not only public health and mobility but also has had an adverse impact on the economy, the full impact of which is likely to be uncertain for some time.

The Directors have carried out a robust assessment of the Company's principal risks and uncertainties, and explain how they are being mitigated 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 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 volatile 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 for all investments, and at least one external investment professional for investments greater than £1 million in aggregate across all the Albion managed VCTs. 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. The Board and Manager regularly review the deployment of investments and cash resources available to the Company in assessing liquidity required for servicing the Company's buy-backs, dividend payments and operational expenses.</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 updated in 2018. 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 professional advisers or H.M. Revenue & Customs. The Company monitors closely the extent of qualifying holdings and addresses this as required.</p>

Risk	Possible consequence	Risk management
Regulatory and compliance risk	The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.	Board members and the Manager have experience of operating at senior levels within 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.
Operational and internal control risk	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>The Company and its operations are subject to a series of rigorous internal controls and review procedures exercised throughout the year, and receives reports from the Manager on its internal controls and risk management, including on matters relating to cyber security.</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 and cyber security.</p> <p>From 1 October 2018, Ocorian Depository (UK) Limited was appointed as Depository to oversee the custody and cash arrangements and provide other AIFMD duties. The Board reviews the quarterly reports prepared by Ocorian Depository (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 policy. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual.</p>
Economic, political and social risk	<p>Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events, such as the impact of Brexit, 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.</p> <p>The current significant exogenous risk to the Company, the wider population and economy, is the Covid-19 pandemic.</p>	<p>The Company invests in a diversified portfolio of companies across a number of industry sectors and in addition often invests in a mixture of instruments in portfolio companies and has a policy of minimising any external bank borrowings within portfolio companies.</p> <p>At any given time, the Company has sufficient cash resources to meet its operating requirements, including share buy-backs and follow-on investments.</p> <p>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.</p> <p>The Board and Manager are continuously assessing the resilience of the portfolio, the Company and its operations and the robustness of the Company's external agents during the health crisis, as well as considering longer term impacts on how the Company might be positioned in how it invests and operates. Ensuring liquidity in the portfolio to cope with exigent and unexpected pressures on the finances of the portfolio and the Company is an important part of the risk mitigation in these uncertain times. The portfolio is structured as an all-weather portfolio with c.60 companies which are diversified as discussed above. Exposure is relatively small to at-risk sectors that include leisure, hospitality, retail and travel.</p>
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.	<p>The Company operates a share buy-back policy, which is designed to limit the discount at which the Ordinary shares trade to around 5% 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.</p> <p>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.</p>
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 reputational damage 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 2023. The Directors believe that three years is a reasonable period in which they can assess the future of the Company to continue to operate and meet its liabilities as they fall due and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board requires 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 full extent of 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, including any potential impact from Brexit. The Board, after careful consideration, believes that Brexit will have no major impact on the going concern of the Company, primarily due to the markets our portfolio companies target, which in most cases are the UK and increasingly, the US, for our software and technology businesses. Portfolio companies targeting European markets have also shown resilience so far. The coronavirus (Covid-19) pandemic therefore remains the largest uncertainty impacting on the Company. In light of this continuing uncertainty, robust stress tested cashflows, process resilience and contingencies have been examined in trying to deal with the principal risks faced by the Company.

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 buy-backs and issuance, 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 2023.

This Strategic report of the Company for the year ended 31 December 2020 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.

For and on behalf of the Board

Ben Larkin
Chairman
26 March 2021

The Board of Directors

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

Ben Larkin (Chairman), LLB (appointed Director 5 December 2016, appointed Chairman 8 July 2019), 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 three 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. He is also a director of Albion Technology & General VCT and Albion Enterprise VCT. He is also 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 Funds, Albion Real Assets Fund, Albion Community Power and provides administration services to Albion Care Communities Limited. Albion Capital currently has total assets under management or administration of approximately £750 million. Albion Development VCT PLC has recently won an award for Generalist VCT of the Year at the Investment Company of the Year Awards 2020.

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

Will Fraser-Allen, BA (Hons), FCA, is the managing partner of Albion Capital. Will is also chairman of the Public Policy Committee of the VCTA and sits on the Venture Capital Committee of the BVCA. He is passionate about the positive impact venture capital backed healthcare and technology companies will have on the way we live and work. Will joined Albion in 2001, became deputy managing partner in 2009 and managing partner in 2019. He has 20 years' experience investing in healthcare, leisure, media and technology enabled businesses. Prior to joining Albion, Will qualified as a chartered accountant with Cooper Lancaster Brewers and has a BA in History from Southampton University.

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

Dr. Andrew Elder, MA, FRCS, is head of healthcare investing and deputy managing partner of Albion Capital. He joined Albion 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 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-based 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 adviser 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-based portfolio. He oversees the management of Albion Community Power and is 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 on the AIC's VCT Technical Committee. He was 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, and became a partner in 2017. 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 fundraisings 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 honours 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 five 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 manager 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.

Jane Reddin, is the Talent Director of Albion Capital. She helps the funds invest in the best founders, by assessing leadership potential, and accelerate the rapid scaling of our portfolio companies. In her 25 year career, Jane has transacted over 500 senior hires, built international, new-market and fund teams and helped over 70 start-ups build high performing teams. Prior to Albion, she spent six years as Talent Advisor at Balderton Capital then co-founded The Talent Stack, a talent management consulting company for start-ups. Jane joined Albion in 2021. She cares deeply about helping entrepreneurial leadership teams to thrive as they scale up. The talent platform she is developing at Albion enables the sharing of talent and leadership development expertise with our early-stage community.

Dr. Christoph Ruedig, MBA, is a partner at Albion Capital specialising in healthcare investing. Christoph joined Albion 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 practised 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 manager 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 an 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 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 the 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-based 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 honours 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 2020			As at 31 December 2019			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	5,261	7,593	2,332	4,115	6,447	1,146
Quantexa Limited	2.7	15.6	2,101	4,925	7,026	727	2,283	3,010	2,641
Proveca Limited	11.8	49.9	1,829	4,621	6,450	1,829	2,712	4,541	1,909
Radnor House School (TopCo) Limited	8.5	48.3	1,560	1,065	2,625	1,560	1,163	2,723	(98)
The Street by Street Solar Programme Limited	12.4	50.0	1,291	1,147	2,438	1,291	1,074	2,365	73
Chonais River Hydro Limited	4.6	50.0	1,705	605	2,310	1,705	653	2,358	(48)
OmPrompt Holdings Limited	10.7	41.2	994	1,208	2,202	994	(32)	962	1,240
Regenerco Renewable Energy Limited	11.9	50.0	1,204	848	2,052	1,204	830	2,034	18
Oviva AG	3.3	14.4	1,151	325	1,476	882	370	1,252	(44)
The Evewell (Harley Street) Limited	7.5	40.0	1,073	271	1,344	989	–	989	271
Panaseer Limited	3.2	11.6	752	563	1,315	752	281	1,033	282
Alto Prodotto Wind Limited	9.4	50.0	719	506	1,225	761	523	1,284	5
Convertr Media Limited	6.2	26.6	992	31	1,023	992	21	1,013	10
MPP Global Solutions Limited	3.0	12.2	1,000	–	1,000	1,000	–	1,000	–
Black Swan Data Limited	3.9	16.0	1,610	(632)	978	891	–	891	(632)
Albion Investment Properties Limited	68.2	100.0	929	48	977	929	(1)	928	49
Phrasee Limited	3.1	17.4	712	247	959	410	–	410	248
MyMeds&Me Limited	9.9	42.1	940	(46)	894	940	(50)	890	4
Healios Limited	2.5	12.6	270	589	859	270	–	270	589
Aridhia Informatics Limited	5.8	21.6	1,129	(302)	827	1,129	(980)	149	678
Limitless Technology Limited	2.4	11.0	648	65	713	440	–	440	65
Cantab Research Limited (trading as Speechmatics)	1.7	12.9	685	–	685	685	–	685	–
Beddlestead Limited	8.6	49.0	1,026	(347)	679	1,026	(5)	1,021	(342)
Elliptic Enterprises Limited	0.8	6.7	639	–	639	639	–	639	–
uMotif Limited	2.4	14.3	534	58	592	300	(82)	218	140
Concirrus Limited	1.1	9.7	575	–	575	–	–	–	–
InCrowd Sports Limited	4.3	17.8	545	(11)	534	545	158	703	(169)
Locum's Nest Limited	5.6	24.1	550	(34)	516	550	(28)	522	(6)
Mirada Medical Limited	7.7	42.4	909	(396)	513	909	1,148	2,057	(1,544)
Koru Kids Limited	2.1	9.3	460	48	508	460	257	717	(209)
AVESI Limited	10.5	50.0	340	153	493	340	167	507	(14)
The Voucher Market Limited (trading as WeGift)	1.2	10.0	492	–	492	–	–	–	–
SBD Automotive Limited	2.2	10.0	220	239	459	330	312	642	(73)
Cisiv Limited	7.7	30.9	686	(244)	442	686	(291)	395	47
The Q Garden Company Limited	16.6	50.0	466	(49)	417	466	(1)	465	(48)
Avora Limited	2.2	16.7	400	–	400	400	–	400	–
ePatient Network Limited (trading as Raremark)	2.9	15.9	324	64	388	270	94	364	(31)
Arecor Limited	1.5	7.4	387	–	387	280	–	280	–
Oxsensis Limited	1.6	23.5	386	(4)	382	274	(64)	210	60

Portfolio of investments continued

Fixed asset investments	% voting rights	% voting rights of Albion* managed companies	As at 31 December 2020			As at 31 December 2019			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	
Seldon Technologies Limited	1.8	14.0	356	–	356	–	–	–	–
Credit Kudos Limited	1.6	13.8	344	–	344	–	–	–	–
Dragon Hydro Limited	5.5	30.0	207	136	343	217	127	344	9
Abcodia Limited	4.7	19.5	809	(523)	286	809	(523)	286	–
DySIS Medical Limited	1.5	11.0	1,038	(755)	283	1,038	(596)	442	(159)
Innovation Broking Group Limited	8.4	30.0	84	172	256	84	104	188	68
TransFICC Limited	1.4	9.9	207	–	207	–	–	–	–
MHS1 Limited	3.3	48.8	231	(25)	206	231	–	231	(25)
Greenenerco Limited	4.0	50.0	117	85	202	124	89	213	(1)
Sandcroft Avenue Limited (trading as Hussle)	6.4	21.2	1,281	(1,107)	174	1,281	(18)	1,263	(1,089)
Imandra Inc.	1.7	7.9	166	–	166	166	–	166	–
Zift Channel Solutions Inc.	1.7	6.5	885	(721)	164	885	(380)	505	(341)
memsstar Limited	2.8	44.7	62	69	131	74	46	120	23
uMedeor Limited (trading as uMed)	1.2	9.5	128	–	128	–	–	–	–
Premier Leisure (Suffolk) Limited	6.2	47.4	109	–	109	109	13	122	(13)
Erin Solar Limited	4.3	50.0	120	(17)	103	120	(5)	115	(12)
Symetrica Limited	0.3	5.0	89	(18)	71	76	(5)	71	(13)
Forward Clinical Limited (trading as Pando)	1.8	9.2	219	(159)	60	219	(90)	129	(69)
Mi-Pay Group PLC	3.2	31.6	22	–	22	22	–	22	–
Elements Software Limited	0.6	4.5	3	(3)	–	3	(3)	–	–
Total fixed asset investments			41,042	17,956	58,998	35,645	13,386	49,031	4,595

*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 2019 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2019 as the above list does not include brought forward investments that were fully disposed of in the year.

Portfolio of investments continued

The following is a summary of fixed and current asset realisations for the year ended 31 December 2020:

	Cost £'000	Opening carrying value** £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Fixed asset investment realisations					
Disposals:					
G.Network Communications Limited	273	1,479	1,533	1,260	54
Clear Review Limited	409	409	844	435	435
TWCL Limited	518	487	485	(33)	(2)
Loan stock repayments and other:					
SBD Automotive Limited	110	110	110	–	–
Alto Prodotto Wind Limited	43	64	64	21	–
memsstar Limited	12	12	12	–	–
Greenenerco Limited	7	10	10	3	–
Dragon Hydro Limited	9	9	9	–	–
Escrow adjustments and other**	–	–	114	114	114
Total fixed asset realisations	1,381	2,580	3,181	1,800	601
Current asset investment realisations					
SVS Albion OLIM UK Equity Income Fund	4,990	5,068	3,945	(1,045)	(1,123)
Total fixed and current asset realisations	6,371	7,648	7,126	755	(522)

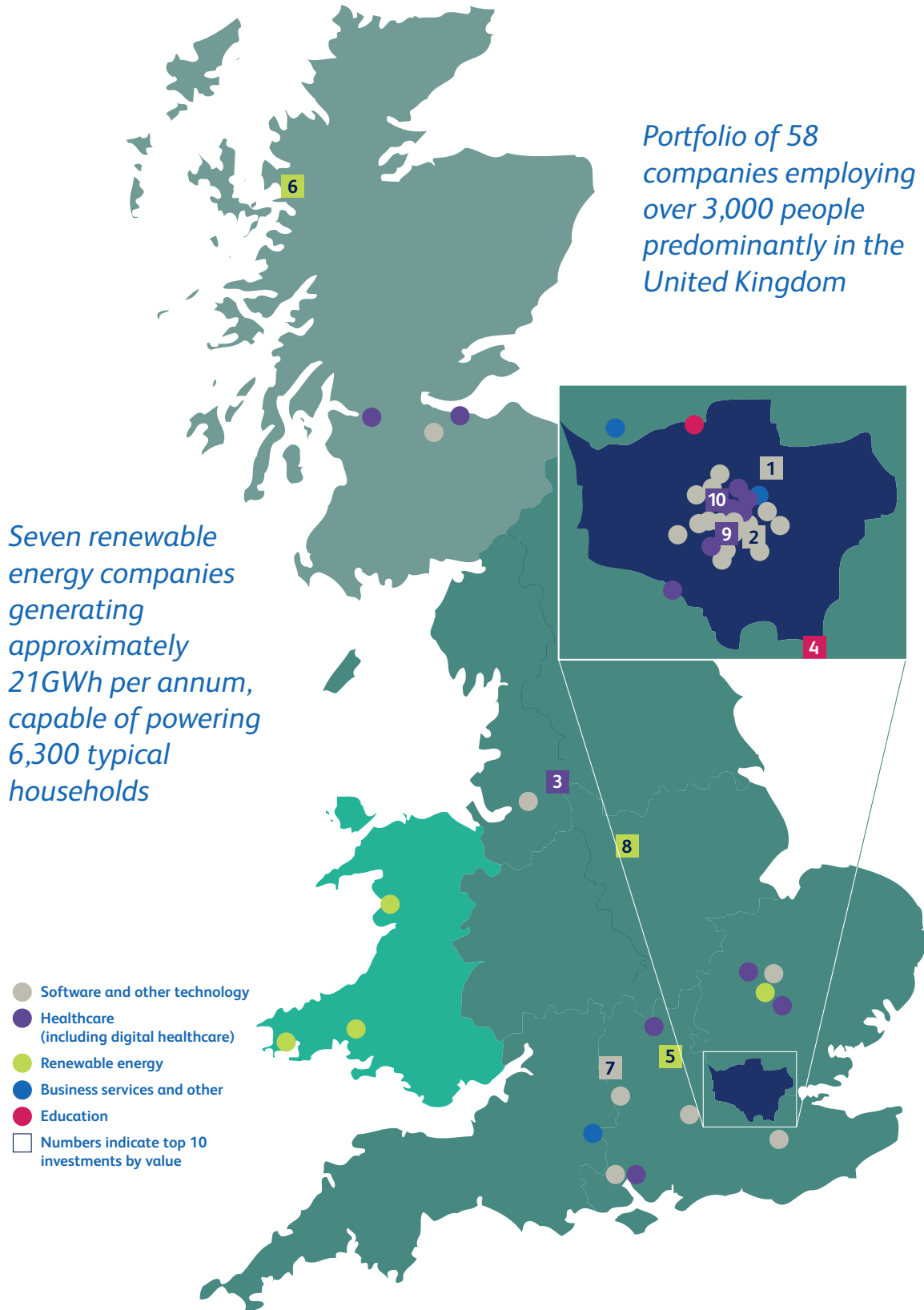
*As adjusted for additions during the year

**These comprise fair value movements on deferred consideration on previously disposed investments and expenses which are incidental to the purchase or disposal of an investment.

Unrealised gains on fixed asset investments	4,595
Realised losses in current year	(522)
Total gains on investments as per Income statement	4,073

Portfolio companies

Geographical locations



Portfolio companies continued

The top ten portfolio companies 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 2019

Turnover
LBITDA
Loss before tax
Net assets
Basis of valuation

£'000

14,154
(7,416)
(7,580)
4,255
Revenue multiple

Investment information

Income recognised in the year
Total cost
Valuation
Voting rights
Voting rights for all Albion managed companies

£'000

–
2,332
7,593
6.9 per cent.
24.7 per cent.

2. 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. The Company's funds have invested alongside HSBC.



Website: www.quantexa.com

Audited results: year to 31 March 2020

Turnover
LBITDA
Loss before tax
Net liabilities
Basis of valuation

£'000

17,545
(13,064)
(13,700)
(3,495)
Cost and price of recent investment
(reviewed for impairment or uplift)

Investment information

Income recognised in the year
Total cost
Valuation
Voting rights
Voting rights for all Albion managed companies

£'000

–
2,101
7,026
2.7 per cent.
15.6 per cent.

3. 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, and 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 one to three 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	6,450
Voting rights	11.8 per cent.
Voting rights for all Albion managed companies	49.9 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	–
Total cost	1,560
Valuation	2,625
Voting rights	8.5 per cent.
Voting rights for all Albion managed companies	48.3 per cent.

*These results include Radnor House School Twickenham which was sold after 31 August 2019

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 2019		£'000	Investment information	£'000
Net liabilities		(621)	Income recognised in the year	139
Basis of valuation	Third party valuation – discounted cash flow		Total cost	1,291
			Valuation	2,438
			Voting rights	12.4 per cent.
			Voting rights for all Albion managed companies	50.0 per cent.

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 approximately 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.



Website: www.greenhighland.co.uk

Filleted audited results: year to 30 September 2019		£'000	Investment information	£'000
Net liabilities		(114)	Income recognised in the year	158
Basis of valuation	Third party valuation – discounted cash flow		Total cost	1,705
			Valuation	2,310
			Voting rights	4.6 per cent.
			Voting rights for all Albion managed companies	50.0 per cent.



Website: www.omprompt.com

7. OmPrompt Holdings Limited

OmPrompt helps companies digitise and control the flow of order management information to and from their customers, third party providers and suppliers. This investment was sold after the year end.

Audited results: year to 31 March 2020		£'000	Investment information	£'000
Turnover		3,632	Income recognised in the year	–
LBITDA		(534)	Total cost	994
Loss before tax		(721)	Valuation	2,202
Net assets		1,651	Voting rights	10.7 per cent.
Basis of valuation	Discounted offer price		Voting rights for all Albion managed companies	41.2 per cent.

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.



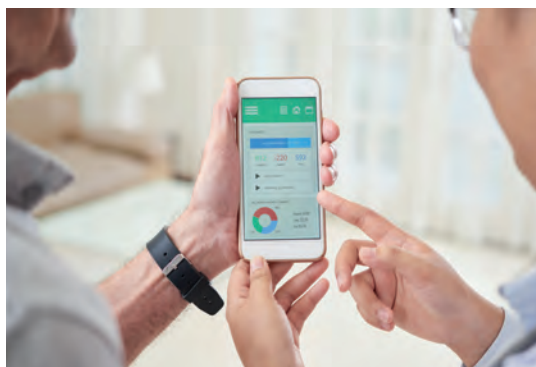
Website: www.regenerco.com

Filleted audited results: year to 31 December 2019

Net liabilities	£'000
	(428)
Basis of valuation	Third party valuation – discounted cash flow

Investment information

Income recognised in the year	£'000
	125
Total cost	1,204
Valuation	2,052
Voting rights	11.9 per cent.
Voting rights for all Albion managed companies	50.0 per cent.



Website: www.oviva.com

9. Oviva AG

Oviva is the leading provider for digital, reimbursed dietetic care in Europe. The company has developed mobile technology solutions that enable its dietitians to provide superior care and improved outcomes in a more cost-effective way than traditional face-to-face dietetic counselling. It is active in the UK, Germany, France and Switzerland.

Audited results: year to 31 December 2019

Turnover	£'000
	4,069
LBITDA	(2,422)
Net assets	2,407
Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)

Investment information

Income recognised in the year	£'000
	–
Total cost	1,151
Valuation	1,476
Voting rights	3.3 per cent.
Voting rights for all Albion managed companies	14.4 per cent.

10. The Ewell (Harley Street) Limited

The Ewell owns and operates a private pay women's health centre of excellence at 61 Harley Street focusing on fertility and IVF treatment but uniquely also covering all aspects of a woman's gynaecological health.



Website: www.ewell.com

Filleted audited results: year to 31 December 2019

Net liabilities	£'000
	(2,655)
Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)

Investment information

Income recognised in the year	£'000
	–
Total cost	1,073
Valuation	1,344
Voting rights	7.5 per cent.
Voting rights for all Albion managed companies	40.0 per cent.

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 2020. The Statement of corporate governance on pages 36 to 40 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 Part 6 of the Income Tax Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007 and further details of this can be found on page 30 of this Directors' report. As with previous years, formal approval for the year ended 31 December 2020 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 Company's 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 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 9,277,148 Ordinary shares (2019: 9,212,958 Ordinary shares) under the Albion VCTs Top Up Offers and 869,051 Ordinary shares (2019: 754,878 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 prospectus top up offers of new Ordinary shares on 5 January 2021. The Company announced on 26 January 2021 that it would exercise its over-allotment facility, bringing the total amount to be raised to £10 million. On 11 February 2021 the offers were fully subscribed and closed.

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 8 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 2020 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 2020, 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 2020 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 sufficient 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. Cash flow forecasts are discussed quarterly at Board level with regards to going concern. The cash flow forecasts have been updated and stress tested to allow for the ongoing impact of Covid-19. 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 adopted the going concern basis in preparing the accounts. The Directors do not consider there to be any material uncertainty over going concern.

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 2020 are shown in note 19.

Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 15 and 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 80 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
- (3) At least 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 least 30 per cent. of funds raised in accounting periods beginning on or after 6 April 2018 must be invested in qualifying holdings by the anniversary of the end of the accounting period in which the funds were raised;
- (5) 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;
- (6) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (7) The Company's shares, throughout the year, must have been listed on a regulated European market;

- (8) 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);
- (9) 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;
- (10) The Company's investment in another company must not be used to acquire another business, or shares in another company; and
- (11) 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 2020. 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 have a permanent establishment in the UK and operate a 'qualifying trade' wholly or mainly in the United Kingdom. The investment must bear a sufficient level of risk to meet a risk-to-capital condition. 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 2020, the HMRC value of the Company's qualifying investments (which includes a 12 month disregard for disposals) was 87.27% (2019: 87.45%). 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 of

80% 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, favouring digital over printing and reducing energy consumption. Further details can be found in the Environmental, Social, and Governance ("ESG") section on page 14.

Global greenhouse gas emissions

The Company qualifies as a low energy user with regards to greenhouse gas emissions, and therefore is not required to report emissions 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. Therefore, the company is outside of the scope of Streamlined Energy Carbon Reporting.

Anti-bribery

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.

The Manager reviews the anti-bribery policies and procedures of all portfolio companies.

Anti-facilitation of tax evasion

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 18.

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 the Manager is a full scope UK AIFM. Ocorian Depository (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 most recent reporting period 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, who are considered key management personnel.

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 42.

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 themselves in relation to the performance of their duties as a Director of the Company. A copy of each Deed of Indemnity entered into by the Company with 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 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, Lord O'Shaughnessy and Patrick Reeve will offer themselves for re-election.

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 registered office of the Company, 1 Benjamin Street, London, EC1M 5QL at noon on

12 May 2021. The notice of the Annual General Meeting is at the end of this document. Details of the special circumstances for this year's AGM can be found in the Chairman's statement on page 8.

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 8 includes receiving and adopting the Company's accounts, to approve the Directors' remuneration report, to re-elect all Directors and to re-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 2020. 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 9 will request the authority to allot up to an aggregate nominal amount of £230,577 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 future Albion VCTs Share Offers and the Dividend Reinvestment Schemes. The Company currently holds 11,938,106 Ordinary shares in treasury representing 11.5% of the Ordinary share capital in issue as at 31 December 2020.

Disapplication of pre-emption rights

Special resolution number 10 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 £230,577 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 11 will request the authority to purchase approximately 14.99% of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 11. 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 2020 authority, which was on similar terms. During the financial year under review, the Company purchased 1,587,950 Ordinary shares for treasury representing 1.5% of called-up share capital, at an aggregate consideration of £1,189,000. No Ordinary shares were purchased for cancellation.

Cancellation of share premium and capital redemption reserve

Special resolution number 12 is a proposal by the Board to increase the Company's distributable reserves by way of a reduction of the Company's share premium account and capital redemption reserve, subject to shareholder approval and confirmation by the Court. This procedure has been adopted in the past by the Company and is relatively common amongst investment companies.

The Company's distributable reserves are used for the payment of dividends, for share buy-backs and for other corporate purposes. Subject to any creditor protection demanded by the Court (see below), the proposed reduction of share premium account and capital redemption reserve will create additional distributable reserves of greater than £54.17 million, giving total distributable reserves, in time, in excess of £65.98 million.

The Company may reduce its share premium account and capital redemption reserve by obtaining the approval of shareholders by special resolution. If the special resolution is approved by shareholders, the Company will apply to the High Court for a Court Order and this is expected to take place during July 2021. The Court may require the Company to protect the interests of the creditors of the Company and the Company can confirm that it will seek approval from all creditors to this proposal. The main creditors as at the date of filing with the Court, will be the Manager and the Company's solicitors, Bird & Bird LLP. Both of the main creditors have confirmed that they will consent to the proposed reduction.

It is the Board's policy to pay regular dividends to shareholders as the Directors believe that this is a key source of shareholder value. The Company also has a policy of buying back its own shares for cancellation or for holding as treasury shares, when such purposes

are considered to be to the advantage of the Company and shareholders as a whole. These shares are purchased at a discount to net asset value which enhances the Company's net asset value per share.

Under the Companies Act 2006 (the "Act"), the Company is only permitted to pay dividends and to make buy-backs from its accumulated distributable reserves. Therefore, the Board believes that increasing the distributable reserves is in the interests of shareholders. Details of these reserves are shown on page 51 of this Annual Report and Financial Statements.

The Company's share premium account represents the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to special reserve. As at 31 December 2020, the amount credited to the Company's share premium account was £44,978,000.

The Company's capital redemption reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares. As at 31 December 2020, the amount credited to the Company's capital redemption reserve was £12,000.

The Directors believe that the Company should increase its distributable reserves by cancelling the amount standing to the credit of the Company's share premium account and capital redemption reserve as at 6pm on the day before the date of the Final Hearing.

Update of Articles of Association to allow virtual and hybrid meetings

The current Covid-19 pandemic has illustrated the difficulties which companies may encounter in holding general meetings. Accordingly, the Directors believe that it is desirable to amend the Company's Articles of Association to reflect the latest developments regarding electronic meetings and special resolution number 13 sets out the proposed changes. The changes will allow meetings to be held, and for shareholders to participate, both wholly by electronic means (a "virtual meeting") or partly by electronic means (a "hybrid meeting" i.e. where a physical meeting is held but some shareholders participate electronically).

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.

Directors' report continued

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 Section 418 of the Companies Act 2006.

By Order of the Board

Albion Capital Group LLP

Company Secretary

1 Benjamin Street
London, EC1M 5QL
26 March 2021

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 and integrity of the Company's webpage is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Directors' responsibilities pursuant to Disclosure 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
26 March 2021

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 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 the Company 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 for 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. 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, Lord O’Shaughnessy and Patrick Reeve will offer themselves for re-election.

The Directors have a range of business and financial skills, including serving on the boards of other companies, which are

relevant to the Company; these are described in the Board of Directors section on page 18. 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 39.

The Board met four times during 2020 as part of its regular programme of Board meetings. An additional meeting also took place to discuss the effect of the Covid-19 pandemic on the Company’s portfolio. In accordance with best practice, a further meeting took place without the Manager present. All Directors attended each meeting. 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 2019/20; and to approve the terms and contents of the Offer documents under the Albion VCTs’ Prospectus Top Up Offers 2020/21. 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;
- approving the Annual Report and Financial Statements, the Half-yearly Financial Report, the Interim Management Statements (which the Company will continue to publish), net asset value updates (where required), and the associated announcements;
- 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;
- participation in dividend re-investment schemes and Top Up Offers; 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 these Directors at the forthcoming Annual General Meeting and has nominated them for re-election accordingly. For more details on the specific background, skills and experience of each Director, please see the Board of Directors section on page 18.

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.

All independent Directors sit on the Remuneration Committee as their balance of skills and knowledge are relevant to the Committee's responsibilities. 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 2020; all members attended.

The independent Auditor, BDO LLP, attended the Audit Committee meeting at which the Annual Report and Financial Statements for the year ended 31 December 2020 were discussed. BDO LLP also met with the Audit Committee prior to the meeting without the presence of the Manager.

Statement of corporate governance continued

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 and the Half-yearly Financial Report with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the 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.

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 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 2020, 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 13 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 terms of reference of the Nomination Committee are to evaluate the balance of skills,

experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises.

The 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.

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

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;
- all published financial reports are reviewed by Albion Capital Group LLP's 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.

In addition to this, Ocorian Depository (UK) Limited, the Company's external Depository, 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 quarterly, 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 powers to buy and issue shares are detailed in full on pages 29, 32 and 33 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 is on 12 May 2021, which 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 access the latest 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 their 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 8.

Statement of compliance

The Directors consider that the Company has complied throughout the year ended 31 December 2020 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
26 March 2021

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.

An ordinary resolution will be proposed at the Annual General Meeting of the Company to be held on 12 May 2021 for the approval of the Directors' remuneration report as set out below.

The current Remuneration Policy was approved by shareholders (95.5% of shareholders voted for the resolution, 4.5% voted against the resolution, and of the total votes cast, 77,062 votes were withheld (being 0.1% of total voting rights)) at the Annual General Meeting held on 9 June 2020 and will remain in place for a three year period. It will next be put to shareholders at the 2023 AGM.

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 (£24,000 for the Chairman, £23,000 for the chairman of the Audit Committee and £22,000 for all other non-executive Directors, save for Patrick Reeve who agreed to waive his fees), 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, Lord O'Shaughnessy and Patrick Reeve will offer themselves for re-election at the forthcoming Annual General Meeting.

Shareholders' views in respect of Directors' remuneration are regarded highly and the Board encourages shareholders to communicate their thoughts to the Board, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 96.3% of shareholders voted for the resolution approving the Directors' remuneration report, 3.7% of shareholders voted against the resolution and of the total votes cast, 77,062 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 2020 £'000	31 December 2019 £'000	Percentage change %
Ben Larkin	24.0	23.0	4.3
Lyn Goleby	23.0	22.4	2.7
Patrick Reeve	–	–	–
Lord O'Shaughnessy (appointed 8 July 2019)	22.0	11.4	93.0
Geoffrey Vero (passed away 19 May 2019)	–	12.0	(100.0)
	69.0	68.8	0.3

There has been no increase in the base remuneration of each of the Directors' positions during the year. The changes from the prior

Directors' remuneration report continued

year are due to Ben Larkin and Lyn Goleby assuming the positions of Chairman and chairman of the Audit Committee respectively part way through 2019, and Lord O'Shaughnessy's fees being pro-rated as he joined the Board part way through 2019.

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 £22,863 (2019: £9,762). The increase has been due to changes in the market for the provision of insurance, and is in line with the increases seen across the wider Directors' & Officers' Liability Insurance market.

The Directors' remuneration for the year ending 31 December 2021 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 2020	31 December 2019
Ben Larkin	294,796	220,109
Lyn Goleby	23,014	23,014
Patrick Reeve	172,885	172,885
Lord O'Shaughnessy	-	-
	490,695	416,008

After the year end, Ben Larkin, Lyn Goleby and Patrick Reeve subscribed for new shares under the Albion VCTs Prospectus Top Up Offers 2020/21 and were issued with 59,382, 11,876 and 6,002 shares respectively as part of the 26 February 2021 allotment. Lord O'Shaughnessy also subscribed for new shares after the year end, which will be allotted in April 2021.

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 680,066 Ordinary shares in the Company at 31 December 2020.

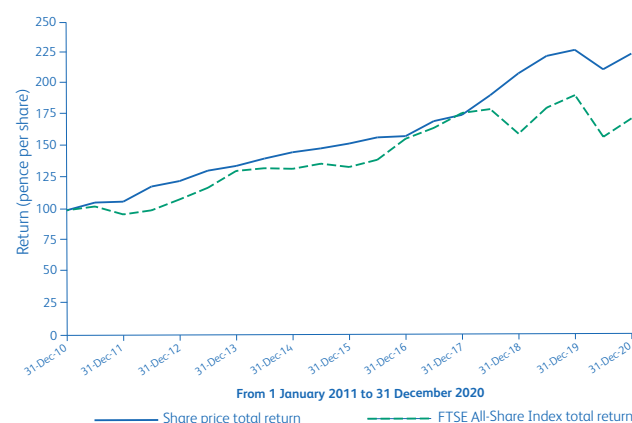
Performance graph

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 2011. 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 2011, 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

	2020 £'000	2019 £'000	Percentage increase
Total distribution to shareholders including dividends	3,916	3,760	4.1%
Share buy-backs	1,189	1,013	17.4%
Total Directors' fees	69.0	68.8	0.3%

By Order of the Board

Ben Larkin

Director

26 March 2021

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Albion Development VCT PLC (the 'Company') for the year ended 31 December 2020 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cashflows 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

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. The period of total uninterrupted engagement including retenders and reappointments is 13 years, covering the years ended 31 December 2008 to 31 December 2020. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to ensure that the Company was meeting its requirements to retain VCT status;
- Reviewing the forecasted cash flows that support the Directors' assessment of going concern;
- Evaluating management's method of assessing the going concern in light of market volatility and the present uncertainties;
- Calculating financial ratios to ascertain the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview		2020	2019
Key audit matters	Valuation of Unquoted Investments	✓	✓
	Revenue recognition		✓
Materiality	£1,170,000 (2019: £1,028,000) based on 2% (2019: 2%) of value of investments		

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

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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.

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Valuation of investments (Notes 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 of both equity and loan stock instruments.</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>44% 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 or net assets or third party offer to supporting evidence, reviewed the calibration of fair value 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 2020. This is particularly pertinent in those circumstances where the impact of COVID-19 subsequent to the transaction data may call into question whether the price of recent investment remains reflective of fair value.</p> <p>The remaining 56% of the investment portfolio is valued with reference to more subjective techniques with 20% supported by a valuation performed by experts (15% based on discounted cash flows and 5% using earnings multiples). The remaining 36% of the portfolio is valued using multiples of revenue or earnings, as described in note 11.</p> <p>Our sample for unquoted equity investments valuation testing is stratified according to risk, having regard to the subjectivity of the inputs to the valuations. Our procedures for the sample selected for detailed testing included:</p> <ul style="list-style-type: none"> • Considering whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines • Re-performing the calculation of the investment • Verifying and benchmarking key inputs and estimates to independent information from our own research valuations and against metrics from the most recent investments

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

Key Audit Matter	How the scope of our audit addressed the key audit matter
	<ul style="list-style-type: none"> • Challenging 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, performing sensitivity analysis on the valuation calculations where there is sufficient evidence to suggest reasonable alternative inputs might exist • We had particular attention on specific areas surrounding Covid-19. This was addressed by challenging key assumptions made in the valuation and ensuring that the valuation methodology applied remains applicable given the economic impact of Covid-19 <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 • Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP <p><i>Key observations:</i></p> <p>Based on the procedures performed we noted that the methodology and assumptions used by the Investment Manager were supported by the evidence obtained.</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 as a whole.

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

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company Financial statements	
	2020	2019
Materiality	£1,170,000	£1,028,000
Basis for determining materiality	2% of gross investments	2% of gross investments
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of invested assets.	
Performance materiality	£880,000	£771,000
Basis for determining performance materiality	75% of materiality	75% of materiality
	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower threshold

Profit before tax could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £90,000 which is based on 5% of gross expenditure (2019: £66,000).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £20,000 (2019: £21,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties; and
- The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the audit committee.

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

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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 the Directors' report have been prepared in accordance with applicable legal requirements.

In 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.

Directors' remuneration

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

Matters on which we are required to report by exception

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

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

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. Our audit work focussed on the valuation of unquoted investments, where the risk of material misstatement due to fraud is the greatest. We also:

- Obtained independent evidence to support the ownership of investments
- Recalculated investment management fees in total
- Obtained independent confirmation of bank balances.

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.

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

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.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
26 March 2021

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

Income statement

	Note	Year ended 31 December 2020			Year ended 31 December 2019		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	4,073	4,073	–	3,074	3,074
Investment income	4	692	–	692	1,294	–	1,294
Investment management fee	5	(382)	(1,146)	(1,528)	(357)	(1,070)	(1,427)
Performance incentive fee	5	(11)	(31)	(42)	–	–	–
Other expenses	6	(282)	–	(282)	(268)	–	(268)
Profit on ordinary activities before tax		17	2,896	2,913	669	2,004	2,673
Tax (charge)/credit on ordinary activities	8	–	–	–	(76)	76	–
Profit and total comprehensive income attributable to shareholders		17	2,896	2,913	593	2,080	2,673
Basic and diluted return per share (pence)*	10	0.02	3.15	3.17	0.73	2.55	3.28

* adjusted for treasury shares

The accompanying notes on pages 53 to 66 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 2020 £'000	31 December 2019 £'000
Fixed asset investments	11	58,998	51,406
Current assets			
Current asset investments	13	–	3,878
Trade and other receivables	13	1,757	304
Cash and cash equivalents		15,645	14,529
		17,402	18,711
Total assets		76,400	70,117
Payables: amounts falling due within one year			
Trade and other payables less than one year	14	(541)	(434)
Total assets less current liabilities		75,859	69,683
Equity attributable to equity holders			
Called-up share capital	15	1,040	938
Share premium		44,978	36,712
Capital redemption reserve		12	12
Unrealised capital reserve		18,020	14,702
Realised capital reserve		12,886	15,151
Other distributable reserve		(1,077)	2,168
Total equity shareholders' funds		75,859	69,683
Basic and diluted net asset value per share (pence)*	16	82.42	83.47

* excluding treasury shares

The accompanying notes on pages 53 to 66 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 26 March 2021 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 2020	938	36,712	12	14,702	15,151	2,168	69,683
Profit and total comprehensive income for the year	–	–	–	4,595	(1,699)	17	2,913
Transfer of unrealised gains on disposal of investments	–	–	–	(1,277)	1,277	–	–
Purchase of shares for treasury	–	–	–	–	–	(1,189)	(1,189)
Issue of equity	102	8,478	–	–	–	–	8,580
Cost of issue of equity	–	(212)	–	–	–	–	(212)
Dividends paid	–	–	–	–	(1,843)	(2,073)	(3,916)
As at 31 December 2020	1,040	44,978	12	18,020	12,886	(1,077)	75,859
As at 1 January 2019	839	28,406	12	16,234	11,539	6,348	63,378
Profit and total comprehensive income for the year	–	–	–	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

*These reserves amount to £11,809,000 (2019: £17,319,000) which is considered distributable.

Statement of cash flows

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flow from operating activities		
Loan stock income received	583	1,131
Deposit interest received	35	49
Dividend income received	191	151
Investment management fees paid	(1,475)	(1,435)
Performance incentive fee paid	–	(420)
Other cash payments	(283)	(253)
Corporation tax paid	–	–
Net cash flow from operating activities	(949)	(777)
Cash flow from investing activities		
Purchase of current asset investments	(1,190)	(2,400)
Purchase of fixed asset investments	(5,156)	(5,675)
Disposal of current asset investments	3,945	–
Disposal of fixed asset investments	1,201	10,560
Net cash flow from investing activities	(1,200)	2,485
Cash flow from financing activities		
Issue of share capital	7,737	7,807
Cost of issue of shares	(33)	(30)
Equity dividends paid*	(3,251)	(3,132)
Purchase of own shares (including costs)	(1,188)	(1,013)
Net cash flow from financing activities	3,265	3,632
Increase in cash and cash equivalents	1,116	5,340
Cash and cash equivalents at start of period	14,529	9,189
Cash and cash equivalents at end of period	15,645	14,529

*The dividends paid shown in the cash flow are different to the dividends disclosed in note 9 as a result of the non-cash effect of the Dividend Reinvestment Scheme.

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 Financial Statements have been prepared on a going concern basis and further details can be found in the Directors’ report on pages 29 and 30.

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”) in accordance with FRS 102 sections 11 and 12. The Company values investments by following the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines as updated in 2018 and further detail on the valuation techniques used are outlined 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, revenue 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:
 - o the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
 - o 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
 - o 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 (including debtors due after more than one year), payables and cash are carried at amortised cost, in accordance with FRS 102. Debtors due after more than one year meet the definition of a financing transaction held at amortised cost, and interest will be recognised through capital over the credit period using the effective interest method. 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 fee, performance incentive fee 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, if any, are allocated to the realised capital reserve. 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

Called-up share capital

This reserve accounts for the nominal value of the Company's shares.

Share premium

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 smaller companies principally based in the UK.

Notes to the Financial Statements continued

3. Gains/(losses) on investments

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Unrealised gains on fixed asset investments	4,595	1,431
Unrealised gains on current asset investments	–	236
Realised gains on fixed asset investments	601	1,407
Realised losses on current asset investments	(1,123)	–
	<u>4,073</u>	<u>3,074</u>

4. Investment income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loan stock interest and other fixed returns	584	977
Dividend income	74	268
Bank deposit interest	34	49
	<u>692</u>	<u>1,294</u>

5. Investment management fees

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Investment management fee charged to revenue	382	357
Investment management fee charged to capital	1,146	1,070
Performance incentive fee charged to revenue	11	–
Performance incentive fee charged to capital	31	–
	<u>1,570</u>	<u>1,427</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 £1,528,000 (2019: £1,427,000) were purchased by the Company from Albion Capital Group LLP in respect of management fees. There is a performance incentive fee of £42,000 payable this year (2019: £nil). At the financial year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals was £443,000 (2019: £347,000). The total annual running costs of the Company are capped at an amount equal to 2.5% of the Company's net assets, with any excess being met by Albion Capital Group LLP by way of a reduction in management fees. During the year, the management fee was reduced by £97,000 as a result of this cap (2019: £105,000).

During the year, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (2019: £nil).

Albion Capital Group LLP, its partners and staff hold 680,066 Ordinary shares in the Company as at 31 December 2020.

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 2020, fees of £168,000 attributable to the investments of the Company were received by Albion Capital Group LLP pursuant to these arrangements (2019: £198,000).

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% 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)

The SVS Albion OLIM UK Equity Income Fund (“OUEIF”) was disposed of in October 2020. Prior to the disposal, an amount of £1,190,000 was invested during the year in the OUEIF (2019: £2,400,000), and to avoid double charging, Albion agreed to reduce its management fee relating to the investment in the OUEIF by 0.75 % per annum, which represents the OUEIF management fee charged by OLIM. This resulted in a further reduction of the management fee of £21,000 (2019: £20,000). Further details on the SVS Albion OLIM UK Equity Income Fund disposal can be found in the Chairman’s statement on page 6.

6. Other expenses

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Directors’ fees (including NIC)	75	74
Auditor’s remuneration for statutory audit services (excluding VAT)	34	31
Other administrative expenses	173	163
	<u>282</u>	<u>268</u>

7. Directors’ fees

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Directors’ fees	69	69
National insurance	6	5
	<u>75</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 41 and 42.

8. Tax on ordinary activities

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
UK corporation tax charge in respect of current year	–	–
	<u>–</u>	<u>–</u>

Factors affecting the tax charge:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit on ordinary activities before taxation	2,913	2,673
Tax charge on profit at the average companies rate of 19 per cent. (2019: 19 per cent.)	553	508
Factors affecting the charge:		
Non-taxable gains	(774)	(584)
Income not taxable	(14)	(51)
Excess management expenses carried forward	235	127
	<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. (2019: 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 £3,882,000 (2019: £2,652,000) that are available for offset against future profits. A deferred tax asset of £738,000 (2019: £451,000) 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 2020 £'000	Year ended 31 December 2019 £'000
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
Dividend of 2.25p per Ordinary share paid on 29 May 2020	2,077	–
Dividend of 1.99p per Ordinary share paid on 30 September 2020	1,843	–
Unclaimed dividends	(4)	(5)
	3,916	3,760

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 2.06 pence per share for the year ending 31 December 2021, payable on 28 May 2021 to shareholders on the register on 7 May 2021. The details of the new dividend policy can be found in the Chairman's statement on page 7. The total dividend will be approximately £2,129,000.

10. Basic and diluted return per share

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit attributable to equity shares (£'000)	17	2,896	2,913	593	2,080	2,673
Weighted average shares in issue (adjusted for treasury shares)		91,755,964			81,487,820	
Return attributable per equity share (pence)	0.02	3.15	3.17	0.73	2.55	3.28

The weighted average number of Ordinary shares is calculated after adjusting for treasury shares of 11,938,106 (2019: 10,350,156).

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 2020 £'000	31 December 2019 £'000
Investments held at fair value through profit or loss		
Unquoted equity and preference shares	44,350	37,372
Unquoted loan stock	14,648	14,012
Quoted equity	–	22
	<u>58,998</u>	<u>51,406</u>
	31 December 2020 £'000	31 December 2019 £'000
Opening valuation	51,406	52,663
Purchases at cost	5,577	6,595
Disposal proceeds	(3,181)	(10,519)
Realised gains	601	1,407
Movement in loan stock accrued income	–	(171)
Unrealised gains	4,595	1,431
	<u>58,998</u>	<u>51,406</u>
Closing valuation	58,998	51,406
Movement in loan stock accrued income		
Opening accumulated loan stock accrued income	113	284
Movement in loan stock accrued income	–	(171)
	<u>113</u>	<u>113</u>
Closing accumulated loan stock accrued income	113	113
Movement in unrealised gains		
Opening accumulated unrealised gains	14,447	16,215
Transfer of previously unrealised gains to realised reserve on disposal of investments	(1,199)	(3,199)
Movement in unrealised gains	4,595	1,431
	<u>17,843</u>	<u>14,447</u>
Closing accumulated unrealised gains	17,843	14,447
Historic cost basis		
Opening book cost	36,846	36,164
Purchases at cost	5,577	6,595
Sales at cost	(1,381)	(5,913)
	<u>41,042</u>	<u>36,846</u>
Closing book cost	41,042	36,846

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 2020 £'000	31 December 2019 £'000
Cost and price of recent investment (reviewed for impairment or uplift)	21,624	33,479
Revenue multiple	20,499	2,969
Third party valuation – discounted cash flow	9,063	9,104
Third party valuation – earnings multiple	2,625	2,723
Net assets	2,395	2,347
Discounted offer price	2,202	–
Earnings multiple	590	762
	58,998	51,384

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 2019 and 31 December 2020:

Change in valuation methodology (2019 to 2020)	Value as at 31 December 2020 £'000	Explanatory note
Cost or price of recent investment to revenue multiple	19,056	Discounted revenue multiple more relevant based on current trading
Cost or price of recent investment to discounted offer price	2,202	Third party offer accepted and completed after the year end
Price of recent investment to net assets	387	Covid-19 impact on portfolio company has lead to revaluation
Revenue multiple to net assets	174	Covid-19 impact on portfolio company has lead to revaluation
Quoted bid price to net assets	22	Company delisted and in liquidation

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, these are the most relevant methods of valuation which would be reasonable as at 31 December 2020.

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 2020 £'000	31 December 2019 £'000
Opening balance	51,384	52,532
Additions	5,577	6,595
Movement from Level 1 to Level 3*	22	–
Disposals	(3,181)	(10,513)
Accrued loan stock interest	–	(171)
Realised gains	601	1,510
Unrealised gains	4,595	1,431
Closing balance	<u>58,998</u>	<u>51,384</u>

*This relates to the investment in Mi-Pay Group PLC changing from Level 1 to Level 3 in the fair value hierarchy, as this is in liquidation, and no longer listed.

FRS 102 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. 61 % of the portfolio of investments, consisting of equity and loan stock, is based on recent investment price, discounted offer price, net assets and cost, and as such the Board believe that changes to reasonable possible alternative input assumptions (by adjusting the earnings and revenue multiples) for the valuation of the remainder of the portfolio could lead to a significant change in the fair value of the portfolio. Therefore, for the remainder of the portfolio, the Board has adjusted the inputs for a number of the largest portfolio companies (by value) resulting in a total coverage of 83 % of the portfolio of investments. The main inputs considered for each type of valuation is as follows:

Valuation technique	Portfolio company sector	Input	Base Case*	Change in input	Change in fair value of investments (£'000)	Change in NAV (pence per share)
Revenue multiple	Software & other technology	Revenue multiple	5.4x	+0.5	690	0.75
				–0.5	(690)	(0.75)
Revenue multiple	Software & other technology	Revenue multiple	4.5x	+0.5	624	0.68
				–0.5	(624)	(0.68)

*As detailed in the accounting policies on page 53, the base case is based on market comparables, discounted where appropriate for marketability, in accordance with the IPEV guidelines.

The impact of these changes could result in an overall increase in the valuation of the equity investments by £1,313,000 (3.0%) or a decrease in the valuation of equity investments by £1,313,000 (3.0%).

Notes to the Financial Statements continued

12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the portfolio company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The 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% of the nominal value of any class of the allotted shares in the portfolio company as at 31 December 2020 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	(706)	68.2% A Ordinary	68.2%	n/a*

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

13. Current assets

Current asset investments	31 December 2020 £'000	31 December 2019 £'000
SVS Albion OLIM UK Equity Income Fund	–	3,878

For further details on the disposal of the SVS Albion OLIM UK Equity Income Fund, please see page 6 of the Chairman's statement.

Trade and other receivables	31 December 2020 £'000	31 December 2019 £'000
Prepayments and accrued income	23	17
Other receivables	3	156
Deferred consideration under one year	192	131
Deferred consideration over one year	1,539	–
	<u>1,757</u>	<u>304</u>

The deferred consideration over one year relates to the sale of G.Network Communications Limited in December 2020. These proceeds are receivable in January 2024, and have been discounted to present value at the prevailing market rate, including a provision for counterparty risk. This constitutes a financing transaction, and has been accounted for using the policy disclosed in note 2.

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 2020 £'000	31 December 2019 £'000
Accruals and deferred income	519	417
Trade payables	22	17
	<u>541</u>	<u>434</u>

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

Notes to the Financial Statements continued

15. Called-up share capital

Allotted, called-up and fully paid shares:	£'000
93,828,305 Ordinary shares of 1 penny each at 31 December 2019	938
10,146,199 Ordinary shares of 1 penny each issued during the year	102
103,974,504 Ordinary shares of 1 penny each at 31 December 2020	1,040
10,350,156 Ordinary shares of 1 penny each held in treasury at 31 December 2019	(104)
1,587,950 Ordinary shares of 1 penny each purchased during the year to be held in treasury	(16)
11,938,106 Ordinary shares of 1 penny each held in treasury at 31 December 2020	(120)
Voting rights of 92,036,398 Ordinary shares of 1 penny each at 31 December 2020	920

The Company purchased 1,587,950 Ordinary shares (2019: 1,278,000) at a cost of £1,189,000 including stamp duty (2019: £1,013,000) to be held in treasury during the year to 31 December 2020. Total share buy-backs in 2020 represents 1.5% (2019: 1.4%) of called-up share capital as at 31 December 2020.

The Company holds a total of 11,938,106 shares (2019: 10,350,156) in treasury representing 11.5% (2019: 11.0%) of the issued Ordinary share capital at 31 December 2020.

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)
29 May 2020	467,957	5	75.41	336	72.00
30 September 2020	401,094	4	77.31	294	73.50
	869,051	9		630	

Under the terms of the Albion VCTs Prospectus Top Up Offers 2019/20, 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)
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
30 April 2020	137,627	1	78.90	106	74.50
30 April 2020	105,144	1	79.70	81	74.50
	9,277,148	93		7,737	

Notes to the Financial Statements continued

16. Basic and diluted net asset value per share

	31 December 2020 (pence per share)	31 December 2019 (pence per share)
Basic and diluted net asset value per Ordinary share	82.42	83.47

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 (adjusting for treasury shares) of 92,036,398 Ordinary shares as at 31 December 2020 (2019: 83,478,149).

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 29 of the Directors' report.

The Company's financial instruments comprise equity and loan stock investments in unquoted companies, deferred receipts on disposal of fixed asset investments, 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.

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

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

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

Investment risk

As a Venture Capital Trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted companies, details of which are shown on pages 21 to 23. 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 asset investment portfolio which is £58,998,000 (2019: £55,284,000). Fixed asset investments form 78% of net asset value as at 31 December 2020 (2019: 79%).

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

Notes to the Financial Statements continued

17. Capital and financial instruments risk management (continued)

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 Portfolio of investments section on pages 21 to 23 and in the Strategic report.

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 asset investment portfolio is sensitive to a change of 10% based on the current economic climate. The impact of a 10% change has been selected as this 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.

The sensitivity of a 10% increase or decrease in the valuation of the fixed asset investment portfolio (keeping all other variables constant) would increase or decrease the net asset value and return for the year by £5,899,800. Further sensitivity analysis on fixed asset investments is included in note 11.

Interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise of a percentage point in all interest rates would have increased total return before tax for the year by approximately £151,000 (2019: £121,000). Furthermore, it was considered that a material fall in interest rates below current levels during the year would have been unlikely.

The weighted average effective interest rate applied to the Company's fixed rate assets during the year was approximately 4.5% (2019: 7.0%). The weighted average period to maturity for the fixed rate assets is approximately 5.2 years (2019: 6.0 years).

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

	31 December 2020				31 December 2019			
	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	-	-	44,350	44,350	-	-	37,372	37,372
Quoted equity	-	-	-	-	-	-	22	22
Unquoted loan stock	13,752	185	711	14,648	12,913	193	906	14,012
Current asset investments	-	-	-	-	-	-	3,878	3,878
Receivables*	-	-	1,734	1,734	-	-	289	289
Current liabilities	-	-	(541)	(541)	-	-	(434)	(434)
Cash	-	15,645	-	15,645	-	14,529	-	14,529
Total	13,752	15,830	46,254	75,836	12,913	14,722	42,033	69,668

*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.

Notes to the Financial Statements continued

17. Capital and financial instruments risk management (continued)

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 85% 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 2020 was limited to £14,648,000 (2019: £14,012,000) of unquoted loan stock instruments, £15,645,000 (2019: £14,529,000) of cash deposits with banks and £1,757,000 (2019: £304,000) 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.

The Company has an informal policy of limiting counterparty banking exposure to a maximum of 20% 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% of its adjusted capital and reserves of the latest published audited Balance sheet, which amounts to £7,373,000 as at 31 December 2020 (2019: £6,760,000).

The Company had no committed borrowing facilities as at 31 December 2020 (2019: nil) and the Company had cash balances of £15,645,000 (2019: £14,529,000). The main cash outflows are for new investments, buy-back of shares and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis, as part of its review of management accounts and forecasts. All of the Company's financial liabilities are short term in nature and total £541,000 (2019: £434,000).

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

Redemption date	31 December 2020				31 December 2019			
	Fully performing £'000	Valued below cost £'000	Past due £'000	Total £'000	Fully performing £'000	Valued below cost £'000	Past due £'000	Total £'000
Less than one year	2,160	736	1,738	4,634	1,515	613	1,618	3,746
1-2 years	1,887	38	94	2,019	608	113	–	721
2-3 years	175	136	–	311	1,658	112	–	1,770
3-5 years	1,948	–	78	2,026	1,825	211	–	2,036
5+ years	5,555	–	103	5,658	5,623	–	116	5,739
Total	11,725	910	2,013	14,648	11,229	1,049	1,734	14,012

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 £1,036,000 (2019: £1,682,000).

Notes to the Financial Statements continued

17. Capital and financial instruments risk management (continued)

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 2020 are stated at fair value as determined by the Directors, with the exception of receivables (including debtors due after more than one year), 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 2020, the Company had no financial commitments (2019: £nil).

There were no contingent liabilities or guarantees given by the Company as at 31 December 2020 (2019: £nil).

19. Post balance sheet events

The following are the post balance sheet events since 31 December 2020:

- Sale of OmPrompt Holdings Limited for proceeds of £2,202,000;
- Investment of £1,209,000 in a new portfolio company, Threadneedle Software Holding Limited (trading as Solidatus);
- Investment of £577,000 in an existing portfolio company, Healios Limited;
- Sale of SBD Automotive Limited for proceeds of £458,000; and
- Investment of £54,000 in an existing portfolio company, ePatient Limited (trading as Raremark).

The following new Ordinary shares of nominal value 1 penny each were allotted under the Albion VCTs Prospectus Top Up Offers 2020/21 after 31 December 2020:

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)
26 February 2021	1,932,052	19	83.30	1,585	78.00
26 February 2021	515,665	5	83.80	424	78.00
26 February 2021	8,866,225	89	84.20	7,279	78.00
	11,313,942	113		9,288	

20. Related party transactions

Other than transactions with the Manager as disclosed in note 5, and the Directors' remuneration disclosed in the Directors' remuneration report on pages 41 and 42, 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 THE SPECIAL ARRANGEMENTS FOR THIS YEAR'S AGM (SEE PAGE 8). BASED ON THE CURRENT GOVERNMENT ADVICE, SHAREHOLDERS WILL NOT BE ALLOWED ENTRY INTO THE BUILDING WHERE THE AGM IS HELD. ANY CHANGES TO THESE ARRANGEMENTS WILL BE MADE AVAILABLE AT WWW.ALBION.CAPITAL/FUNDS/AADV.

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 12 May 2021 at noon for the following purposes:

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

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 December 2020 together with the Strategic report and the reports of the Directors and Auditor.
2. To approve the Directors' remuneration report for the year ended 31 December 2020.
3. To re-elect Ben Larkin as a Director of the Company.
4. To re-elect Lyn Goleby as a Director of the Company.
5. To re-elect Lord O'Shaughnessy as a Director of the Company
6. To re-elect Patrick Reeve as a Director of the Company.
7. 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.
8. To authorise the Directors to agree the Auditor's remuneration.

Special Business

9. 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 £230,577 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.

10. Authority for the disapplication of pre-emptive rights

That, subject to the authority and conditional on the passing of resolution number 9, 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 9 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.

Notice of Annual General Meeting continued

11. Authority to purchase own shares

That, subject to and in accordance with the Company's Articles of Association, the Company be generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 1 penny each in the capital of the Company ("Ordinary shares"), on such terms as the Directors think fit, provided always that:

- (a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 17,281,738 or, if lower, such number of Ordinary shares as shall equal 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
- (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% 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.

12. Cancellation of share premium and capital redemption reserve

That the amount standing to the credit of the Company's share premium account and capital redemption reserve as at 6pm on the day before the date of the Final Hearing be cancelled and reclassified as other distributable reserves.

13. Amendments to the Articles of Association to enable general meetings to be held by electronic means

That, the Company's Articles of Association be amended to enable the Company to hold general meetings either wholly or partly by electronic means, as follows:

Article 2.1: A new definition for "electronic facility" shall be inserted underneath the definition of "D Shares":

"electronic facility" includes, without limitation, website addresses and conference call systems, and any device, system, procedure, method or other facility whatsoever providing an electronic means of attendance at or participation in (or both attendance at and participation in) a general meeting determined by the Board pursuant to Article 43.11"

New Article 2.8: A new Article 2.8 shall be inserted below Article 2.7:

"A reference to a meeting shall mean a meeting convened and held in any manner permitted by these Articles, including a general meeting at which some or all of those entitled to be present attend and participate by means of electronic facility or facilities, and such persons shall be deemed to be present at that meeting for all purposes of the Act and these Articles, and attend, participate, attending, participating, attendance and participation shall be construed accordingly."

New Article 43.3A: A new Article 43.3A shall be inserted below 43.3:

"If a general meeting is held wholly or partly by means of an electronic facility or facilities pursuant to Article 43.11, the Board and the chairman may make any arrangement and impose any requirement or restriction that is:

- (a) *necessary to ensure the identification of those taking part by means of such electronic facility or facilities and the security of the electronic communication; and*
- (b) *in its or his or her view, proportionate to those objectives.*

In this respect, the Board may authorise any voting application, system or facility for attendance and participation as it sees fit."

Article 43.4(a): the words *"including wholly or partly by means of electronic facility or facilities,"* shall be inserted after *"(Main Meeting Place)"*.

Notice of Annual General Meeting continued

Article 43.4(b): "." shall be deleted from the end of the paragraph and replaced with "; and"

New Article 43.4(c): a new Article 43.4(c) shall be inserted below Article 43.4(b):

"make arrangements for simultaneous attendance and participation by means of electronic facility or facilities pursuant to Article 43.11 (and for the avoidance of doubt, the Board shall be under no obligation to offer or provide such facility or facilities, whatever the circumstances)."

New Article 43.4A: a new Article 43.4A shall be inserted below Article 43.4:

"If, at any general meeting at which members are entitled to participate by means of electronic facility or facilities determined by the Board pursuant to Article 43.11, any document is required to be on display or to be available for inspection at the meeting (whether prior to or for the duration of the meeting or both), the Company shall ensure that it is available in electronic form to persons entitled to inspect it for at least the required period of time, and this will be deemed to satisfy any such requirement."

Article 43.6: "." shall be deleted from the end of the sentence at 43.6(c) and a new paragraph shall be inserted below (c) as follows:

"and the meeting shall be deemed to take place at the place where the chairman of the meeting presides (the principal meeting place, with any other location where that meeting takes place being referred in these Articles as a satellite meeting). The chairman shall be present at, and the meeting shall be deemed to take place at, the principal meeting place and the powers of the chairman shall apply equally to each satellite meeting place, including his or her power to adjourn the meeting as referred to in Article 50."

Article 43.9: the wording highlighted in bold below will be inserted into Article 43.9:

"If after the sending of notice of a general meeting but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the board decides that it is impracticable or unreasonable to hold the meeting on the date or at the time or at the Main Meeting Place specified in the notice calling the meeting (or any of the other places, in the case of a meeting to which Article 43.4(b) applies), **and/or by means of the electronic facility or facilities specified in the notice**, it may postpone the meeting to another date, time and place (or in the case of a general meeting to be held at a principal meeting place and one or more satellite meeting places, to such other places) **and/or change the electronic facility or facilities**. When a meeting is postponed, notice of the date, time and place (or places, in the case of a general meeting to which Article 43.4(b) and/or electronic facility or facilities apply) of the postponed meeting shall, be placed in at least two national newspapers in the United Kingdom. No new notice of the meeting need be sent. The board must take reasonable steps to ensure that a member trying to attend the meeting at the original date, time and place (or places in the case of a meeting to which Article 43.4(b) and/or by electronic facility or facilities apply), is informed of the new arrangements."

New Article 43.11: A new Article 43.11 shall be inserted below Article 43.10:

"Without prejudice to Article 43.6, the Board may resolve to enable persons entitled to attend and participate in a general meeting to do so wholly by means of electronic facility or facilities or partly by simultaneous attendance and participation by means of electronic facility or facilities, and may determine the means, or all different means, of attendance and participation used in relation to the general meeting. The members present in person or by proxy by means of an electronic facility or facilities (as so determined by the Board) shall be counted in the quorum for, and be entitled to participate in, the general meeting in question. That meeting shall be duly constituted and its proceedings valid if the chair is satisfied that adequate facilities are available throughout the meeting to ensure that members attending the meeting by all means (including the means of an electronic facility or facilities) are able to:

- (a) participate in the business for which the meeting has been convened;
- (b) hear all persons who speak at the meeting; and
- (c) be heard by all other persons attending and participating in the meeting."

New Article 44.5: A new Article 44.5 shall be inserted below Article 44.4:

"If pursuant to Article 43.11 the Board determines that a general meeting shall be held wholly or partly by means of electronic facility or facilities, the notice shall:

- (a) include a statement to that effect;

Notice of Annual General Meeting continued

- (b) *specify the means, or all different means, of attendance and participation threat, and any access, identification and security arrangements determined pursuant to Article 43.3A; and*
- (c) *state how it is proposed that persons attending or participating in the meeting electronically should communicate with each other during the meeting."*

New Article 44.6: A new Article 44.6 shall be inserted below the new Article 44.5:

"The notice shall specify such arrangements as have at that time been made for the purpose of Article 43.6."

Article 47.3: In the seventh line down the words "or places, with such means of attendance and participation (including wholly or partly by means of electronic facility or facilities," shall be inserted after "such other time and place".

Article 49: the first paragraph shall be renumbered "49.1" and a new Article 49.2 shall be inserted as follows:

"49.2 All persons seeking to attend and participate in a general meeting by way of electronic facility or facilities shall be responsible for maintaining adequate facilities to enable them to do so. Subject only to the requirement for the chairman to adjourn a general meeting in accordance with the provisions of Article 50.6, any inability of a person or persons to attend or participate in a general meeting by way of electronic facility or facilities shall not invalidate the proceedings of that meeting."

Article 50.1: at the end of the paragraph the following sentence shall be inserted after the word "place":

"(or, in the case of a meeting held at a principal meeting place and one or more satellite meeting places, such other places) and/or from such electronic facility or facilities for attendance and participation to such other electronic facility or facilities as the meeting shall determine"

Article 50.2: in the third line down the following sentence shall be inserted after the word "place":

"(or places in the case of a meeting to which Article 43.6 applies) and/or from such electronic facility or facilities for attendance and participation to such other electronic facility or facilities as the meeting shall determine,"

New Article 50.6: A new Article 50.6 shall be inserted below Article 50.5:

"If it appears to the chairman that the facilities at the principal meeting place or any satellite meeting place or an electronic facility or facilities or that security at any general meeting have become inadequate for the purposes referred to in Articles 43.6 or 43.11 or are otherwise not sufficient to allow the meeting to be conducted substantially in accordance with the provisions set out in the notice of meeting, then the chairman shall, without the consent of the meeting, interrupt or adjourn the general meeting."

Article 52.1: in the third line down after the word "manner" the following sentence shall be inserted:

"(including at such place or places and/or by means of such electronic facility or facilities)".

By Order of the Board

Albion Capital Group LLP

Company Secretary
Registered office
1 Benjamin Street
London, EC1M 5QL
26 March 2021

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 AGM. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. Proxies may only be appointed by:
 - completing and returning the Form of Proxy enclosed with this Notice to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ; or
 - going to www.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 10 May 2021.

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 10 May 2021 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 10 May 2021 (or, in the event of any adjournment, on the date which is two business 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 10 May 2021. 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 provider(s) 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,

Notice of Annual General Meeting continued

therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his 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 provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. A copy of this Notice, and other information regarding the AGM, as required by section 311A of the Act, is available from www.albion.capital/funds/AADV under the "Fund reports" section.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. Copies of contracts of service and letters of appointment between the Directors and the Company, 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, and a draft copy of the Articles incorporating the amendments proposed in Resolution 13, 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 Act 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 25 March 2021 being the latest practicable date prior to the publication of this Notice, the Company's issued share capital consists of 115,288,446 Ordinary shares with a nominal value of 1 penny each. The Company also holds 11,938,106 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 25 March 2021 are 103,350,340.





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The Association of
Investment Companies

A member of the Association
of Investment Companies



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