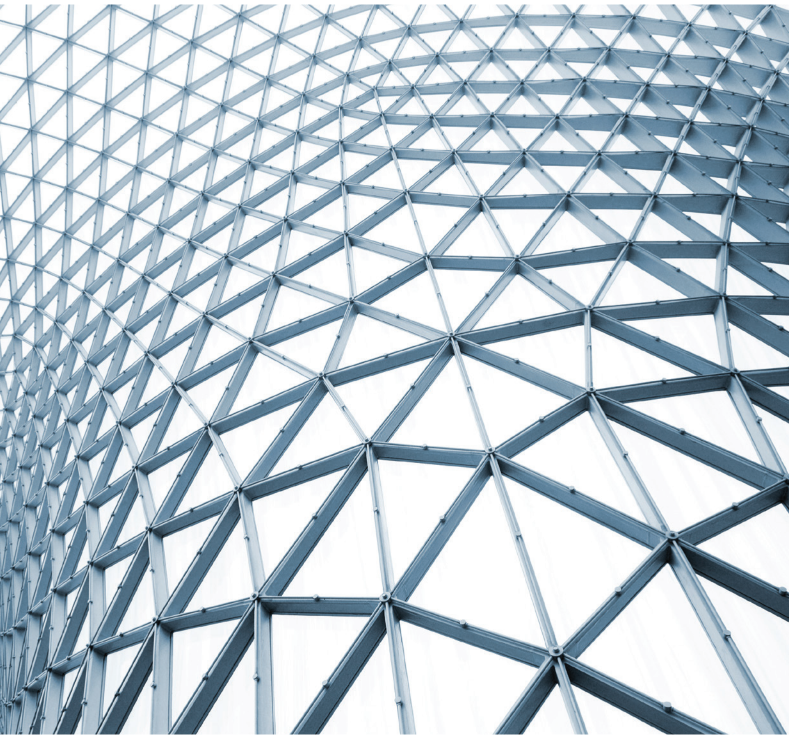
Albion Enterprise VCT PLC



Annual Report and Financial Statements for the year ended 31 March 2018

ALBION CAPITAL

Contents

Page

Company information

Company number	05990732
Directors	M Packe, Chairman Lady Balfour of Burleigh Lord St John of Bletso C Burrows P H Reeve
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Capital Group LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	Philip Hare & Associates LLP 1st Floor 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP

Albion Enterprise 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 5860 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls may be 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.
Financial adviser information	For enquiries relating to the performance of the Company and information for financial advisers please contact Albion Capital Group LLP: Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri; calls may be recorded) Email: info@albion.capital Website: www.albion.capital **Please note that these contacts are unable to provide financial or taxation advice.**

Investment policy

Albion Enterprise VCT PLC (the "Company") is a Venture Capital Trust and the investment objective of the Company is to provide investors with a regular and predictable source of income, combined with the prospect of longer term capital growth.

The Company's current general investment policy is as follows:

Investment policy

Investing up to 50 per cent. of the net funds raised in an asset-based portfolio of more stable businesses (the "Asset-based Portfolio"). The balance of the net funds raised, other than funds retained for liquidity purposes, are invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These range from more stable, income producing businesses to higher risk technology companies (the "Growth Portfolio"). In neither category do portfolio companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the portfolio company's assets.

The Company's investment portfolio is structured to provide a balance between income and capital growth for the longer term. The Asset-based Portfolio is designed to provide stability and income whilst still maintaining the potential for capital growth. The Growth Portfolio is intended to provide diversified exposure through its portfolio of investments in unquoted UK companies. Stock specific risk will be reduced by the Company's policy of holding a diversified portfolio of Qualifying Investments.

VCT and non-VCT qualifying investments

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs. It is intended that at least 80 per cent. of the Company's funds will be invested in VCT qualifying investments.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with credit ratings, assigned by international credit agencies, of A or better (on acquisition) or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 10 per cent. of the Company's assets at the time of investment.

In the November 2017 Autumn Budget, a number of changes to the legislation governing venture capital trusts were announced. Those changes have now been enacted in the Finance Act 2017-19 and further information has been provided in Guidance Notes issued by HM Revenue & Customs. Some of these changes took effect from the date upon which the Finance Act received Royal Assent and others came into force from 6 April 2018. In future, VCTs may no longer offer secured loans to portfolio companies and to qualify for VCT tax reliefs, portfolio companies must satisfy a "risk to capital condition". This means that the portfolio company must have an objective to grow and develop over the long term and there must be a significant risk that there could be a loss of capital to the VCT of an amount exceeding the net return. The overall aim of HM Treasury is to encourage more high growth investment through VCTs rather than low risk, heavily asset backed investments.

As a result of these changes, and subject to shareholder approval, the Board is now recommending an update to the Company's general investment policy, as set out below. The updated policy removes references to loan stock being secured by first charges and enables the Company to invest in a broad range of businesses.

Proposed new investment policy

The Company will invest in a broad portfolio of higher growth businesses across a variety of sectors of the UK economy including higher risk technology companies. 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 both in terms of sector and stage of maturity of company.

Investment policy continued

VCT qualifying and non-VCT qualifying investments

Application of the investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs ("VCT regulations"). The maximum amount invested in any one company is limited to any HMRC annual investment limits. It is intended that normally at least 80 per cent. of the Company's funds will be invested in VCT qualifying investments. The VCT regulations also have an impact on the type of investments and qualifying sectors in which the Company can make investment.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 10 per cent. of the Company's assets at the time of investment.

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 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 is represents a significantly higher proportion of total assets prior to a realisation opportunity being available.

Gearing

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

Financial calendar

Record date for first dividend	3 August 2018
Annual General Meeting	11:00am on 21 August 2018
Payment date for first dividend	31 August 2018
Announcement of half-yearly results for the six months ending 30 September 2018	November 2018
Payment date for second dividend (subject to Board approval)	28 February 2019

Financial highlights

13.4p

Total return per share for the year ended 31 March 2018

5.0p

Total tax-free dividend per share paid during the year ended 31 March 2018

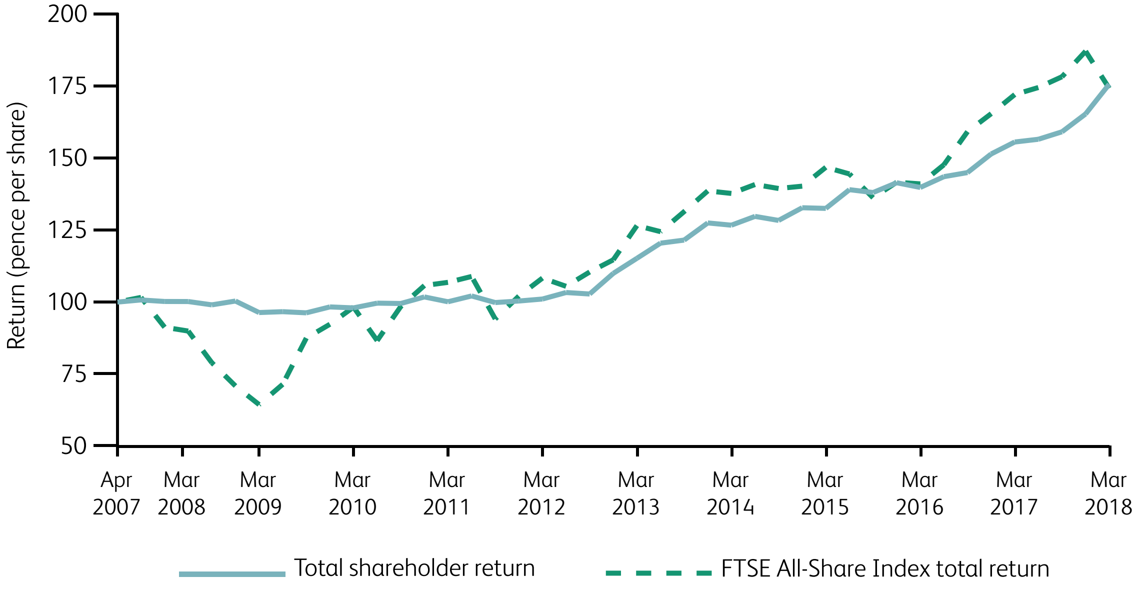
109.5p

Net asset value per share as at 31 March 2018

148.3p

Total shareholder return since launch to 31 March 2018

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



Source: Albion Capital Group LLP

Methodology: The total shareholder return, including original amount invested (rebased to 100) from launch, assuming that dividends were re-invested 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.

Financial highlights continued

	31 March 2018 (pence per share)	31 March 2017 (pence per share)
Dividends paid	**5.00**	5.00
Revenue return	**(0.39)**	0.64
Capital return	**13.79**	10.23
Net asset value	**109.46**	101.79

Total shareholder return to 31 March 2018:		**(Pence per share)**
Total dividends paid during the year ended:		
	31 March 2008	0.70
	31 March 2009	1.65
	31 March 2010	2.00
	31 March 2011	3.00
	31 March 2012	3.00
	31 March 2013	3.50
	31 March 2014	5.00
	31 March 2015	5.00
	31 March 2016	5.00
	31 March 2017	5.00
	31 March 2018	5.00
Total dividends paid to 31 March 2018		**38.85**
Net asset value as at 31 March 2018		109.46
Total shareholder return to 31 March 2018		**148.31**

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2019, of 3.00 pence per share to be paid on 31 August 2018 to shareholders on the register on 3 August 2018.

Notes

- The dividend of 0.70 pence per share paid during the period ended 31 March 2008 and the first dividend of 0.40 pence per share paid during the year ended 31 March 2009 were paid to shareholders who subscribed in the 2006/2007 offer only.
- The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be accessed via a link on the Company's webpage at www.albion.capital under 'Trust Information'.
- Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value as tax reliefs are only obtainable on new subscription.

Chairman's statement

Maxwell Packe
Chairman

> "for the sale of Grapeshot . . . we will have realised approximately 10x our original investment of £1 million"

Introduction

The Company achieved a total return of 13.40 pence per share, following the 10.87 pence per share total return for the previous year. This excellent result is due to the continued development of the investment portfolio, with a number of the companies that we invest in growing strongly.

Investment performance and progress

During the year over £7.1 million of cash was invested in new and existing companies. New investments included £950,000 into MPP Global Solutions, £917,000 into Women's Health (London West One), £850,000 into G.Network Communications, £320,000 into Koru Kids, and £100,000 into Locum's Nest.

Follow-on investments included £1,172,000 into Egress Software Technologies, £790,000 into Beddlestead, £482,000 into Oviva, £325,000 into Panaseer, £292,000 into Convertr Media, and £211,000 into Black Swan Data.

During the year the Company sold its investment in Hilson Moran Holdings realising proceeds of £1.5 million, 3x our original investment. We announced on 24 April 2018 that contracts had been exchanged for the sale of Grapeshot, with the sale subsequently completing on 15 May 2018. If the full escrow amount is received, we will have realised approximately 10x our original investment of £1 million.

Companies that performed particularly well during the period included Grapeshot, where there has been increasing customer demand for the company's online advertising search facilities, Radnor House School (Holdings), where the Sevenoaks school is growing strongly, and G.Network Communications, which is rolling out its fibre optic broadband network in Central London. Further details can be found in the Portfolio of investments section on page 19.

Results and dividends

On 31 March 2018 the net asset value was 109.46 pence per share compared to 101.79 pence per share on 31 March 2017. The total return before taxation was £7.1 million compared to £5.1 million for the previous year. In light of this performance the annual dividend target will be raised by 20% to 6.00 pence per share. The Company will pay a first dividend for the financial year to 31 March 2019 of 3.00 pence per share on 31 August 2018 to shareholders on the register on 3 August 2018.

Modification to investment policy

As described more fully on pages 3 and 4, the Manager and Board are updating the Company's investment policy in light of the November 2017 Autumn Budget and the changes made to the legislation governing venture capital trusts therein. In future, VCTs may no longer offer secured loans to portfolio companies and to qualify for VCT tax reliefs, portfolio companies must satisfy a "risk to capital condition". The updated policy, therefore, removes references to loan stock being secured by first charges, enabling the Company to invest in a broad range of businesses and is compliant with current VCT regulations.

Performance incentive fee

The Board is pleased to announce that investment performance has exceeded the targets set and accordingly a performance incentive fee of £1.1 million is due for the year ended 31 March 2018 (2017: £255,000).

Further details can be found in the Strategic report on page 13.

Board composition

Following the year end, the Board is pleased to announce the appointment of Christopher Burrows as a Director. Christopher, a Cambridge graduate, has spent his career in executive search, assessment and leadership consulting, latterly as a partner at Russell Reynolds Associates. His knowledge, in particular of the healthcare industry, where much of his professional life has been focused, will be a great addition to the Board.

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, including the maintenance of sufficient resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

Transactions with the Manager

Albion Capital agreed to reduce a proportion of its management fee relating to the investments made by the Company in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") by 0.75 per cent., which represents the management fee charged by OLIM. This avoids double counting of fees and resulted in a reduction of the management fee of £2,000. Further details on the investments in the OUEIF can be found in note 20 and details of transactions that took place with the Manager during the year can be found in note 5.

Risks and uncertainties

The outlook for the UK economy continues to be a key risk affecting your Company, in particular, the effect of the withdrawal of Britain from the European Union which is difficult to quantify at this time.

The Company's investment risk is mitigated through a variety of processes, including investing in a diversified portfolio in terms of sector and stage of maturity and focusing on opportunities where it is believed growth can be both resilient and sustainable.

A detailed analysis of the other risks and uncertainties facing the business is shown on pages 14 and 15 of the Strategic report.

Albion VCTs Top Up Offers

In September 2017, the Company announced the launch of the Albion VCTs Prospectus Top Up Offers 2017/18. In aggregate, the Albion VCTs raised £32 million across five of the VCTs managed by Albion Capital Group LLP.

The Company was pleased to announce on 26 February 2018 that it had reached its £6m limit under its Offer which was fully subscribed and closed. Further details of the amounts raised under offers open during the year can be found in note 15 and note 19. The proceeds of the Offers will be used to provide further resources at a time when a number of attractive new investment opportunities are being identified.

Outlook and prospect

After another excellent result for the year, we remain confident that the fundamentals in the companies within our portfolio, and the new companies that we are backing, place the VCT well to continue to deliver positive shareholder returns.

Maxwell Packe
Chairman
29 June 2018

> "During the year over £7.1 million of cash was invested in new and existing companies"

> "the annual dividend target will be raised by 20% to 6.00 pence per share"

Strategic report

Albion Enterprise VCT PLC is a Venture Capital Trust and its current general investment objective and policy can be found on page 3.

As a result of changes in The Finance Act 2018, and subject to shareholder approval, the Board is now recommending a change to the Company's general investment policy. The proposed new investment policy is as follows:

Proposed new investment policy

The Company will invest in a broad portfolio of higher growth businesses across a variety of sectors of the UK economy including higher risk technology companies. 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 both in terms of sector and stage of maturity of company.

VCT qualifying and non-VCT qualifying investments

Application of the investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs ("VCT regulations"). The maximum amount invested in any one company is limited to any HMRC annual investment limits. It is intended that normally at least 80 per cent. of the Company's funds will be invested in VCT qualifying investments. The VCT regulations also have an impact on the type of investments and qualifying sectors in which the Company can make investment.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 10 per cent. of the Company's assets at the time of investment.

Risk diversification and maximum exposures

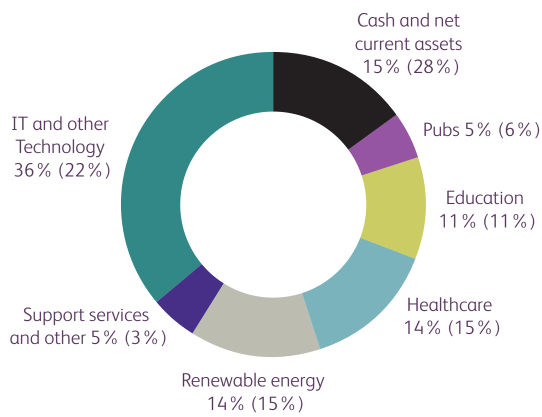
Risk is spread by investing in a number of different businesses within venture capital trust qualifying industry sectors using a mixture of securities. The maximum amount which the Company will invest in a single company is 15 per cent. of the Company's assets at cost, thus ensuring a spread of investment 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 is represents a significantly higher proportion of total assets prior to a realisation opportunity being available.

Gearing

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

Current portfolio sector allocation

The following pie chart shows the split of the portfolio valuation by sector as at 31 March 2018. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 19 and 20.



Comparatives for 31 March 2017 are shown in brackets.
Source: Albion Capital Group LLP

Direction of portfolio

The analysis of the Company's investment portfolio shows that the IT and other technology, healthcare, and renewable energy sectors continue to be the largest elements of the portfolio.

The IT and other technology sector has continued to grow as a proportion of the portfolio as we have continued to invest in key areas such as cyber security and the management of big data. In line with the proposed new investment policy we will continue to invest in higher growth technology companies during the forthcoming year.

Results and dividend policy

	£'000
Net revenue return for the year ended 31 March 2018	(207)
Net capital gain for the year ended 31 March 2018	7,353
Total return for the year ended 31 March 2018	**7,146**
Dividend of 2.50 pence per share paid on 31 August 2017	(1,294)
Dividend of 2.50 pence per share paid on 28 February 2018	(1,417)
Transferred to reserves	**4,435**
Net assets as at 31 March 2018	61,871
Net asset value as at 31 March 2018 (pence per share)	**109.46**

The Company paid dividends totaling 5.00 pence per share during the year ended 31 March 2018 (2017: 5.00 pence per share). As described in the Chairman's statement, the Board has declared a first dividend of 3.00 pence per share for the year ending 31 March 2019. This dividend will be paid on 31 August 2018 to shareholders on the register on 3 August 2018.

As shown in the Company's Income statement on page 46, investment income decreased to £651,000 (2017: £939,000) due to capitalising interest on a number of companies in order to fund further acquisitions.

The capital gain on investments for the year of £9,205,000 (2017: £5,790,000), was mainly attributable to the upward unrealised revaluations in the Company's investment portfolio, in particular for Grapeshot (the sale of which completed after the year end) and Radnor House School (Holdings).

The total return was 13.40 pence per share (2017: 10.87 pence per share). The Balance sheet on page 47 shows that the net asset value has increased over the last year to 109.46 pence per share (2017: 101.79 pence per share), due to the increased valuations.

There was a net cash outflow for the Company of £5,361,000 for the year (2017: net inflow of £6,141,000), from the investment in current and fixed asset investments, dividends paid and the buy-back of shares, offset by the disposal of fixed asset investments and the issue of Ordinary shares under the Albion VCTs Top Up Offers.

Review of business and future changes

A review of the Company's portfolio performance and progress during the year is contained in the Chairman's statement on page 7. Total gains on investments for the year were £9.2 million (2017: £5.8 million). The key contributors to this were the increase in valuations of Grapeshot of £7.3 million, Radnor House School (Holdings) of £694,000 and G.Network Communications of £510,000. These gains more than offset the reduction in value of a small number of our investments, the largest being Aridhia Informatics of £599,000 and Egress Software Technologies of £481,000.

In light of the new VCT regulations set out in the recent Finance Act, asset-based investments will continue to decrease as a proportion of the portfolio, and greater emphasis will be given to growth and technology investments. The Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to providing both capital growth and a reliable dividend income to shareholders over the long term.

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

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on page 27.

The Finance Act 2018 contained a number of measures that affects all VCTs. These include:

- a principles-based test for qualifying companies to ensure that investment activity focuses on higher risk opportunities;
- an increase in the proportion of the portfolio invested in qualifying unquoted companies from 70 per cent. to 80 per cent. in respect of accounting periods starting on or after 6 April 2019 (so from 1 April 2020 for this Company); and
- VCT loan investments to be unsecured and represent no more than normal commercial terms.

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 March 2018. These showed that the Company has complied with all tests and continues to do so.

Strategic report continued

Future prospects

The Company's portfolio is well balanced across sectors and risk classes and the Board believes that the Company has a number of investments which have stong prospects. As detailed on page 3, the Board is proposing a change to the investment policy which will result in a greater emphasis on growth and technology investments.

After another excellent result for the year, the Board remains confident that the fundamentals in the companies within the portfolio and the new companies that are being backed, place the Company well for delivering positive shareholder returns.

Key performance indicators

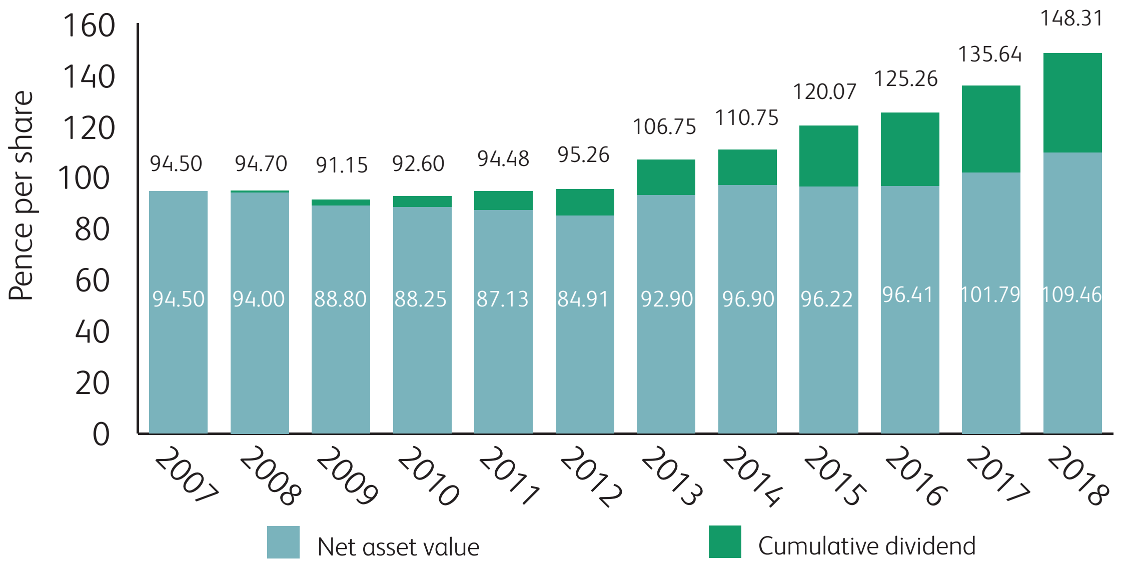
The Directors believe that the following key performance indicators, which are typical for venture capital trusts, and used in their own assessment of the Company, will provide shareholders with sufficient information to assess how effectively the Company is applying its investment policy to meet its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

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

The graph on page 5 shows the Company's total shareholder return against the FTSE All-Share Index total return, with dividends reinvested.

2. Net asset value per share and total shareholder return

Net asset value per share and total shareholder return*

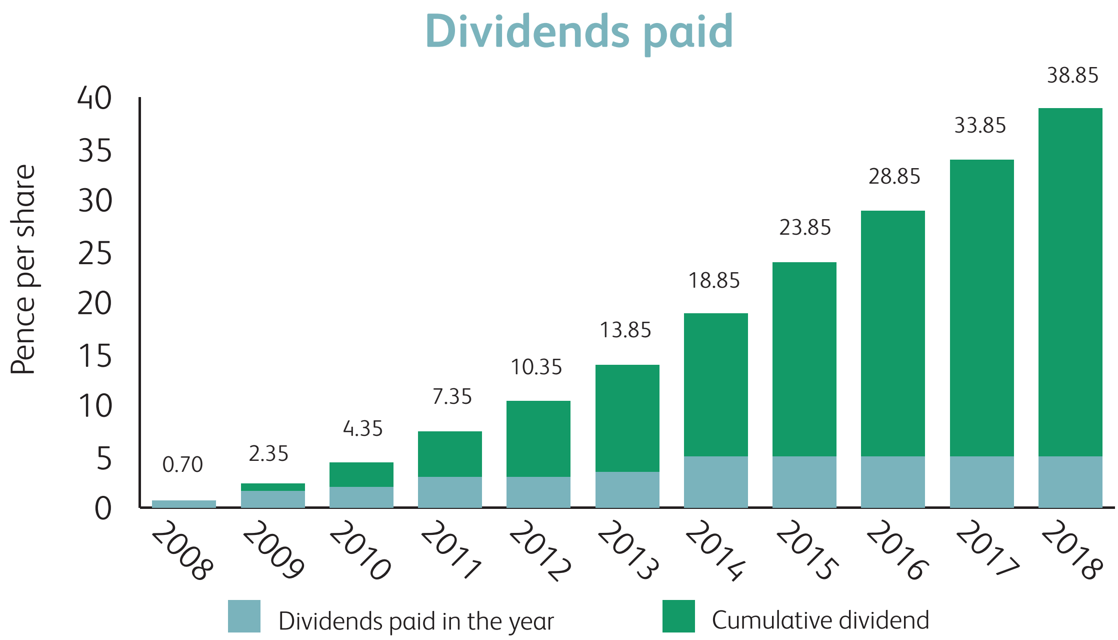


* Total shareholder return is net asset value per share plus cumulative dividends paid since launch to date.

Net asset value per share increased by 7.5 per cent. to 109.46 pence per share for the year ended 31 March 2018.

Total shareholder return increased by 9.3 per cent. to 148.31 pence per share for the year ended 31 March 2018.

3. Dividend distributions



Dividends paid in respect of the year ended 31 March 2018 were 5.00 pence per share (2017: 5.00 pence per share). In light of strong performance, the annual dividend target will be raised by 20% to 6.00 pence per share. The cumulative dividend paid since inception is 38.85 pence per share.

4. Ongoing charges

The ongoing charges ratio for the year ended 31 March 2018 was 2.9 per cent. (2017: 3.0 per cent.) against a cap of 3.0 per cent. The ongoing charges ratio has been calculated using The Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the year ahead to be approximately 2.9 per cent..

Gearing

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

Operational arrangements

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

Management agreement

Under the Management agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management agreement can be terminated by either party on 12 months' notice. The Management agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 2.5 per cent. of the net asset value of the Company, payable quarterly in arrears. Total annual expenses, including the management fee, are limited to 3.0 per cent. of the net asset value.

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

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

Management performance incentive fee

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a Management performance incentive arrangement with the Manager. Under the incentive arrangement, the Company will pay an incentive fee to the Manager of an amount equal to 20 per cent. of such excess return that is calculated for each financial year.

The minimum target level, comprising dividends and net asset value, will be equivalent to an annualised rate of return of the average base rate of the Royal Bank of Scotland plc plus 2 per cent. per annum on the original subscription price of £1. Any shortfall of the target return will be carried forward into subsequent periods and the incentive fee will only be paid once all previous and current target returns have been met.

For the year ended 31 March 2018, the total return of the Company since launch (the performance incentive fee start date) amounted to 148.31 pence per share, compared to the hurdle of 138.00 pence per share. As a result, a performance incentive fee is payable to the Manager of £1,100,000 (2017: £255,000).

Evaluation of the Manager

The Board has evaluated the performance of the Manager based on the returns generated by the Company, the continuing achievement of the 70 per cent. (to be 80 per cent. in respect of accounting periods starting on or after 6 April 2019) qualifying investment holdings requirement for the Venture Capital Trust status, the long term prospects of current investments, a review of the Management agreement and the services provided therein, and benchmarking the performance and remuneration of the Manager to other service providers.

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

Alternative Investment Fund Managers Directive (“AIFMD”)

The Board appointed Albion Capital Group LLP as the Company’s AIFM in June 2014 as required by the AIFMD.

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, including the maintenance of sufficient resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders.

It is the Board’s intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

Further details of shares bought back during the year ended 31 March 2018 can be found in note 15 of the Financial Statements.

Social and community issues, employees and human rights

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

General Data Protection Regulation

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

Further policies

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

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

and these are set out in the Directors’ report on pages 27 and 28.

Risk management

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

Risk	Possible consequence	Risk management
Investment and performance risk	The risk of investment in poor quality assets, which could reduce the capital and income returns to shareholders, and could negatively impact on the Company's current and future valuations. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses. Investments in open-ended equity funds result in exposure to market risk through movements in price per unit.	To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on matters discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings. The Board and Manager regularly reviews the deployment of cash resources into equity markets, the extent of exposure and performance of the exposure.
VCT approval risk	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.	To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare & Associates LLP as its taxation adviser, who report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a new portfolio company is also pre-cleared with H.M. Revenue & Customs or our professional advisers.
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, including legislation on the management of the Company, from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's compliance officer. The Manager reports monthly to its Board on any issues arising from compliance or regulation. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's compliance officer. The report on controls is also evaluated by the internal auditors.
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.	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 internal controls and risk management, including on matters relating to cyber security. 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. In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment objective and policies. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual.

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

Viability statement

In accordance with the FRC UK Corporate Governance Code published in 2016 and principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 31 March 2021. The Directors believe that three years is a reasonable period in which they can assess the future of the Company to continue to operate and meet its liabilities as they fall due and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timelines for finding, assessing and completing investments.

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

The Board assessed the ability of the Company to raise finance. The portfolio is well balanced and geared towards long term growth delivering dividends and capital growth to shareholders.

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

Taking into account the processes for mitigating risks, monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model and the balance of the portfolio the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 March 2021.

This Strategic report of the Company for the year ended 31 March 2018 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,

Maxwell Packe
Chairman
29 June 2018

The Board of Directors

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

Maxwell Packe (Chairman), (appointed 28 November 2006) has been chairman of a number of private equity-backed companies since 1996 with successful trade sales including Crestacare PLC, Corgi Classics Limited, Kelvin Hughes Group and Paragon Book Services Limited. Previously he was founder and chief executive of Household Mortgage Corporation PLC from 1986 until its sale in 1994 to Abbey National Plc.

Lord St John of Bletso (Chairman of the Audit Committee and Senior Independent Director), (appointed 28 November 2006) qualified as a solicitor in South Africa. He was a consultant to Merrill Lynch until November 2008 after 9 years in equity sales/research with Smith New Court. He is currently chairman of Integrated Diagnostic Holding plc, Yellow Cake ITF plc and sits on the board of the Falcon Group. He is also a non-executive chairman of Strand Hanson. He is on the advisory boards of Roc Technologies, Bell Integrated and Betway. He has been an active Crossbench Member of the House of Lords since 1979 and an extra Lord-in-Waiting to HM The Queen since 1998.

Lady Balfour of Burleigh, CBE, (appointed 28 November 2006) was formerly chairman of the Nuclear Liabilities Financing Assurance Board and the Nuclear Liabilities Fund and was a director of Cable and Wireless plc, Midlands Electricity plc, WH Smith plc, Stagecoach Group plc, Murray International Investment Trust plc and a number of other companies.

Christopher Burrows, MA, (appointed 27 June 2018) brings more than 30 years' executive experience in international leadership consulting, search and assessment. Having graduated in Anthropology from the University of Cambridge, he started his consulting career with Whitehead Mann and subsequently became the youngest Partner at Goddard Kay Rogers. He has been a managing director at Russell Reynolds Associates for the last 13 years of his executive career. His principal focus has been advising clients & investors on board appointments and organisation strategy across biotechnology, medtech, diagnostics, healthcare services, pharmaceuticals and digital technologies.

Patrick Reeve, MA, ACA, (appointed 7 November 2006) qualified as a chartered accountant before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, working in both the development capital and corporate finance divisions before establishing Albion Capital (formerly Albion Ventures) in 1996. He is the managing partner of Albion Capital and is a director of Albion Technology and General VCT PLC and Albion Development VCT PLC, both managed by Albion Capital. He is also chief executive of Albion Community Power PLC, chairman of OLIM Investment Managers, a member of the Audit Committee of University College London, a director of The Association of Investment Companies, and is on the Council of the BVCA.

All Directors, except for Patrick Reeve, are members of the Audit Committee and Lord St John of Bletso is Chairman.

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

All Directors, except for Patrick Reeve, are members of the Remuneration Committee and Lady Balfour of Burleigh is Chairman.

Lord St John of Bletso is the Senior Independent Director.

The Manager

ALBION CAPITAL

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

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

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

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

Adam Chirkowski, MA (Hons), having graduated in Industrial Economics followed by a Masters in Corporate Strategy, spent five years at N M Rothschild & Sons specialising in mergers and acquisitions, principally in the natural resources and then healthcare sectors, before joining Albion Capital in 2013. He is currently responsible for a number of investments including renewable energy projects, care homes, health clinics, fibre broadband and wedding venues.

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

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

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

Vikash Hansrani, BA (Hons), ACA, qualified as a chartered accountant with RSM Tenon plc and latterly worked in its corporate finance team. He joined Albion Capital in 2010, where he is currently operations partner for the group. He is also finance director of OLIM Investment Managers, was finance director of Albion Community Power PLC, and is also on the AIC's VCT Technical Committee. He has a BA in Accountancy & Finance from Nottingham Business School.

Robert Henderson, BA (Hons), ACA, graduated from Newcastle University with a first class degree in business management. Prior to joining Albion Capital in 2015, he qualified as a chartered accountant with KPMG, spending four years working in transactions and restructuring, primarily in turnaround and M&A situations.

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

Catriona McDonald, BA (Hons), graduated from Harvard University, majoring in economics. She joined Albion Capital's technology investment team in 2018 having previously worked for Goldman Sachs in both New York and London. At Goldman Sachs, Cat executed several high profile transactions across the product space including leveraged buyouts, IPOs and M&A.

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

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

Nadine Torbey, MSc, BEng, graduated from the American University of Beirut with a Bachelor in Electrical and Computer Engineering, and followed this with a MSc. in Innovation Management and Entrepreneurship from Brown University. She joined Albion Capital's technology investment team in 2018 from Berytech Fund Management, Lebanon. 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.

Robert Whitby-Smith, BA (Hons), FCA, MSI, began his career at KPMG and on to Credit Suisse First Boston and ING Barings where he advised a number of businesses on capital raising and M&A activity. After moving to Albion Capital in 2005, Robert started investing in software and tech enabled services, and became a partner in 2009. Robert holds an honours degree in History from the University of Reading and is a Chartered Accountant and a member of the Chartered Institute of Securities and Investment. He is also a director of OLIM Investment Managers.

Marco Yu, PhD, MA, MRICS, qualified as a chartered surveyor at Bouygues (UK), before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. Marco joined Albion Capital in 2007, since when he has specialised in two key investment areas, renewable energy, particularly wind and solar, and asset based businesses ranging from retail, hotels, cinemas and pubs to residential property. Marco graduated from Cambridge University with a first class degree in economics and has a PhD in construction economics from University College London.

Portfolio of investments

Fixed asset investments	% voting rights	% voting rights of Albion* managed companies	As at 31 March 2018 Cost £'000	As at 31 March 2018 Cumulative movement in value £'000	As at 31 March 2018 Value £'000	As at 31 March 2017 Cost £'000	As at 31 March 2017 Cumulative movement in value £'000	As at 31 March 2017 Value £'000	Change in value for the year** £'000
Grapeshot Limited	5.1	14.2	1,026	8,425	9,451	859	1,140	1,999	7,285
Radnor House School (Holdings) Limited	9.8	50.0	3,079	3,493	6,572	3,129	2,799	5,928	694
Egress Software Technologies Limited	10.9	27.3	2,052	2,588	4,640	880	3,069	3,949	(481)
Bravo Inns II Limited	13.1	50.0	2,150	562	2,712	2,150	282	2,432	280
Mirada Medical Limited	15.1	45.0	1,054	1,429	2,483	969	1,263	2,232	167
Proveca Limited	9.3	48.4	905	1,022	1,927	905	994	1,899	28
Regenerco Renewable Energy Limited	12.5	50.0	1,261	651	1,912	1,261	500	1,761	151
Earnside Energy Limited	8.7	50.0	1,394	279	1,673	1,394	300	1,694	(21)
Alto Prodotto Wind Limited	11.1	50.0	983	674	1,657	989	539	1,528	136
Greenenerco Limited	28.6	50.0	922	614	1,536	959	478	1,437	153
The Street by Street Solar Programme Limited	8.6	50.0	891	615	1,506	891	492	1,383	123
G.Network Communications Limited	9.1	49.9	850	510	1,360	–	–	–	510
Process Systems Enterprise Limited	4.1	20.7	406	861	1,267	406	945	1,351	(83)
Zift Channel Solutions Inc	2.0	6.6	1,053	180	1,233	–	–	–	180
DySIS Medical Limited	10.0	26.9	2,509	(1,525)	984	2,509	(1,339)	1,170	(186)
MPP Global Solutions Limited	3.2	13.5	950	–	950	–	–	–	–
Women's Health (London West One) Limited	7.3	40.0	917	–	917	–	–	–	–
Oviva AG	3.7	15.9	642	160	802	159	–	159	160
Beddlestead Limited	8.3	50.0	800	–	800	10	–	10	–
Convertr Media Limited	6.3	27.0	875	(122)	753	583	–	583	(122)
OmPrompt Holdings Limited	7.4	28.3	864	(147)	717	682	(150)	532	3
memsstar Limited	8.8	44.7	328	334	662	384	240	624	272
MyMeds&Me Limited	3.4	19.2	418	231	649	418	205	623	26
Panaseer Limited	2.4	12.1	405	156	561	80	47	127	109
Black Swan Data Limited	1.6	12.4	538	–	538	327	–	327	–
Bravo Inns Limited	8.4	50.0	755	(306)	449	755	(289)	466	(17)
Quantexa Limited	2.7	11.9	303	123	426	303	–	303	123
Aridhia Informatics Limited	6.6	22.3	1,160	(741)	419	1,061	(143)	918	(599)
Oxsensis Limited	3.3	18.2	625	(253)	372	588	(331)	257	110
Sandcroft Avenue Limited (PayAsUGym.com)	2.9	9.2	313	50	363	160	(21)	139	71
Cisiv Limited	8.6	28.9	663	(321)	342	663	(323)	340	2
Koru Kids Limited	2.6	9.7	320	–	320	–	–	–	–
Abcodia Limited	5.6	19.5	765	(451)	314	712	(407)	305	(44)
Secured by Design Limited	1.9	10.0	280	1	281	280	–	280	1
AVESI Limited	5.5	50.0	179	74	253	179	60	239	15
Mi-Pay Group plc	6.3	34.8	1,504	(1,267)	237	1,504	(1,136)	368	(131)
Innovation Broking Group Limited	8.4	30.0	84	44	128	84	38	122	6
Locum's Nest Limited	2.2	10.9	100	–	100	–	–	–	–
InCrowd Sports Limited	1.5	6.7	67	21	88	67	–	67	21
MHS 1 Limited	1.2	50.0	83	(1)	82	83	(1)	82	–
Total fixed asset investments			34,473	17,963	52,436	26,383	9,251	35,634	8,942

* Albion Capital Group LLP

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

Portfolio of investments continued

Total change in value of investments for the year	**8,942**
Movement in loan stock accrued interest	(17)
Unrealised gains on fixed asset investments	**8,925**
Realised gains on fixed asset investments	353
Unrealised loss on current asset investments	(73)
Total gains on investments as per Income statement	**9,205**

The comparative cost and valuations for 31 March 2017 do not agree to the Annual Report and Financial Statements for the year ended 31 March 2017 as the list on the previous page does not include brought forward investments that were fully disposed of in the year.

Current asset investments	**As at 31 March 2018** Cost £'000	Cumulative movement in value £'000	Value £'000	As at 31 March 2017 Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year* £'000
SVS Albion OLIM UK Equity Income Fund	1,200	(73)	1,127	–	–	–	(73)
Total current asset investments	**1,200**	**(73)**	**1,127**	–	–	–	**(73)**

* As adjusted for additions during the year.

The following is a summary of fixed asset realisations for the year ended 31 March 2018:

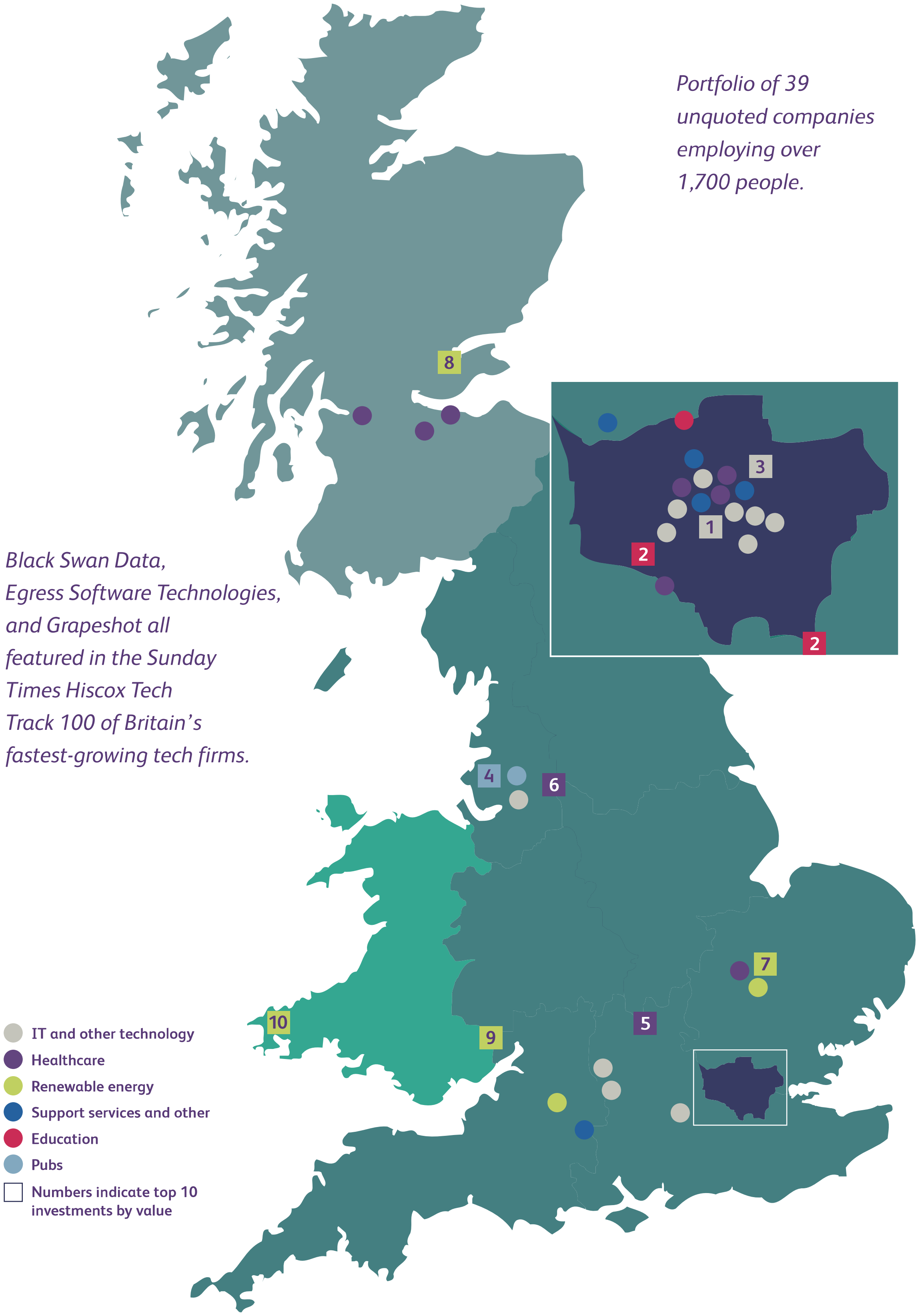
Fixed asset realisations	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Disposals:					
Hilson Moran Holdings Limited	201	1,079	1,538	1,337	459
Relayware Limited	913	911	901	(12)	(10)
Loan stock repayments and other:					
memsstar Limited	55	234	145	90	(89)
Oxsensis Limited	85	117	122	37	5
Greenenerco Limited	38	54	54	16	–
Radnor House School (Holdings) Limited	49	49	49	–	–
Aridhia Informatics Limited	30	30	34	4	4
Alto Prodotto Wind Limited	5	7	7	2	–
Escrow adjustment	–	–	(16)	(16)	(16)
Total fixed asset realisations	**1,376**	**2,481**	**2,834**	**1,458**	**353**

.

Portfolio companies

Geographical locations

Portfolio of 39 unquoted companies employing over 1,700 people.



Black Swan Data, Egress Software Technologies, and Grapeshot all featured in the Sunday Times Hiscox Tech Track 100 of Britain's fastest-growing tech firms.

The top ten investments by value are shown below.

Website: www.grapeshot.com

1. Grapeshot Limited

Grapeshot provides contextual intelligence to digital marketers and publishers, using complex algorithms to integrate with the leading marketing, publishing and media platforms and to transform data into relevant, actionable insights that can be used to inform, enhance and precisely target customer acquisition and retention campaigns. Grapeshot operates out of offices in London, New York, Chicago, San Francisco, Cambridge, Sydney and Singapore and the company plans to open offices in Toronto, Miami, LA, Paris, Germany and Japan.

Audited results: year to 31 December 2016	£'000
Turnover	9,045
EBITDA	(1,425)
Loss before tax	(1,699)
Net assets	4,367
Basis of valuation:	Discount to third party offer

Investment information	£'000
Income recognised in the year	–
Total cost	1,026
Valuation	9,451
Voting rights	5.1 per cent.
Voting rights for all Albion managed companies	14.2 per cent.

2. Radnor House School (Holdings) Limited

Radnor House operates two independent schools in Twickenham and Sevenoaks. The Twickenham school trades at near mature levels with more than 400 children on the roll. The school in Sevenoaks, which was acquired in 2015 as a turnaround opportunity, is now growing strongly with over 400 children on the roll and further capacity to expand. Both schools aim to deliver a personalised education experience to each student with a focus on learning. 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.

Website: www.radnorhouse.org

Audited results: year to 31 August 2017	£'000
Turnover	11,487
EBITDA	1,489
Loss before tax	(552)
Net assets	30,951
Basis of valuation	Third party valuation – Earnings multiple

Investment information	£'000
Income recognised in the year	315
Total cost	3,079
Valuation	6,572
Voting rights	9.8 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

Website: www.egress.com

3. Egress Software Technologies Limited

Egress has developed a cloud-based secure communication platform that offers encrypted services including email, file transfer, document collaboration and archiving. Egress's early customers came from the public sector, but are now spread across all verticals where there is a need for enhanced data security, including the financial services, health and legal sectors.

Audited results: year to 31 December 2016	£'000	Investment information	£'000
Turnover	5,442	Income recognised in the year	–
EBITDA	(831)	Total cost	2,052
Loss before tax	(901)	Valuation	4,640
Net liabilities	(1,613)	Voting rights	10.9 per cent.
Basis of valuation	Price of recent investment	Voting rights for all Albion managed companies	27.3 per cent.

4. Bravo Inns II Limited

Website: www.bravoinns.com

Bravo Inns II Ltd was formed in September 2007 to acquire freehold pubs in the North of England. The Bravo strategy is to acquire closed and underinvested sites, undertaking high quality refurbishments before trading as drink-led community pubs. The estate currently consists of 31 sites and the Bravo team are looking to add 2-3 sites a year to grow the estate.

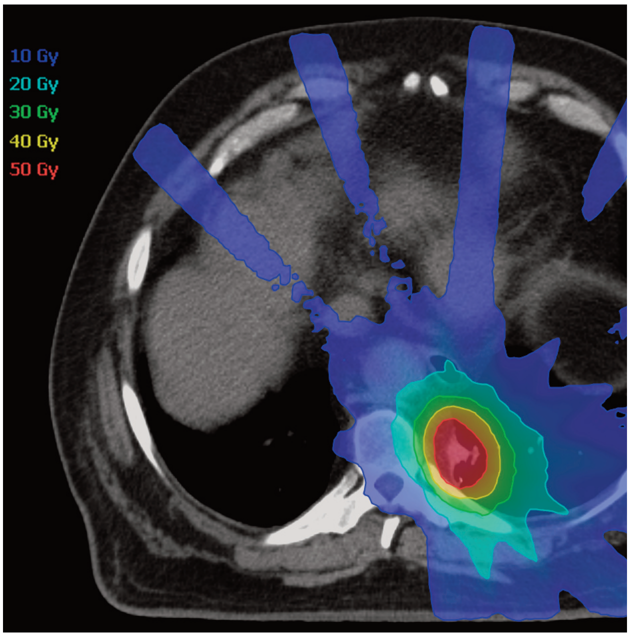
Filleted audited results: year to 31 March 2017	£'000
Net assets	4,467
Basis of valuation	Third party valuation – Earnings multiple

Investment information	£'000
Income recognised in the year	6
Total cost	2,150
Valuation	2,712
Voting rights	13.1 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

5. Mirada Medical Limited

Mirada Medical is a medical imaging software business which uses artificial intelligence to assist doctors in the identification and treatment planning of cancer. Mirada's software is used in over 2000 hospitals worldwide.

Audited results: year to 31 December 2017	£'000	Investment information	£'000
Turnover	4,437	Income recognised in the year	57
EBITDA	(303)	Total cost	1,054
Loss before tax	(610)	Valuation	2,483
Net liabilities	(1,834)	Voting rights	15.1 per cent.
Basis of valuation	Revenue multiple	Voting rights for all Albion managed companies	45.0 per cent.



Website: www.mirada-medical.com

Website: www.proveca.co.uk

6. 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, Sialanar, was launched in 2017. It has a pipeline of drugs focused on neurology, cardiovascular and other therapeutic areas that it expects to reach the market over the next 2 to 5 years.

Filleted audited results: year to 31 July 2017	£'000
Net liabilities	(3,717)
Basis of valuation	Price of recent investment

Investment information	£'000
Income recognised in the year	–
Total cost	905
Valuation	1,927
Voting rights	9.3 per cent.
Voting rights for all Albion managed companies	48.4 per cent.

7. 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.co.uk

Filleted audited results: year to 31 December 2016	£'000
Net assets	37
Basis of valuation	Third party valuation – discounted cash flow

Investment information	£'000
Income recognised in the year	–
Total cost	1,261
Valuation	1,912
Voting rights	12.5 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

8. Earnside Energy Limited

Earnside Energy owns and operates an anaerobic digestion ("AD") plant and composting facility in Perthshire in Scotland. The AD plant, which has recently undergone a significant expansion programme, turns waste food into electricity and produces digestate for use as an agricultural fertiliser, while the composting facility produces compost from co-mingled food and garden waste. The combined facility is capable of processing c. 75,000 tonnes of waste per annum.

Audited results: year to 31 December 2016	£'000
Turnover	2,608
EBITDA	372
Loss before tax	(722)
Net assets	803
Basis of valuation	Third party valuation – Discounted cash flow

Investment information	£'000
Income recognised in the year	–
Total cost	1,394
Valuation	1,673
Voting rights	8.7 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

Website: www.earnsideenergy.com

Website: www.infinite-energy.org.uk

9. Alto Prodotto Wind Limited

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

Filleted audited results: year to 31 March 2017	£'000
Net assets	1,577
Basis of valuation	Third party valuation – Discounted cash flow

Investment information	£'000
Income recognised in the year	97
Total cost	983
Valuation	1,657
Voting rights	11.1 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

10. Greenenerco Limited

Greenenerco owns and operates a 500kW wind turbine in Milford Haven, Wales. It generates enough electricity to power about 500 homes and benefits from inflation-protected renewable subsidies for a period of 20 years. The turbine was commissioned in 2013.

Filleted audited results: year to 31 March 2017	£'000
Net assets	516
Basis of valuation	Third party valuation – Discounted cash flow

Investment information	£'000
Income recognised in the year	82
Total cost	922
Valuation	1,536
Voting rights	28.6 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

Directors' report

The Directors submit their Annual Report and the audited Financial Statements on the affairs of the Company for the year ended 31 March 2018. The Statement of corporate governance on pages 32 to 36 forms a part of the Directors' report.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ("HMRC") as a venture capital trust in accordance with the Income Tax Act 2007 and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval.

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

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

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 15.

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

All Ordinary shares (except for treasury shares which have no right to dividend and no voting rights) rank *pari passu* for dividends and voting rights. Each Ordinary share is entitled to one vote. There are no 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 5,829,378 Ordinary shares, of which 5,406,633 Ordinary shares were issued under the Albion VCTs Top Up Offers; and 422,745 Ordinary shares were issued under the Dividend Reinvestment Scheme. The Company engaged in the Albion VCTs Prospectus Top Up Offers 2017/18 which closed on 26 February 2018, having been fully subscribed and reaching its £6m limit under the Prospectus dated 6 September 2017.

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.

Substantial interests and shareholder profile

As at 31 March 2018 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 March 2018, 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 7 of the Chairman's statement and on pages 10 and 11 of the Strategic report.

Results and dividends

Detailed information on the results and dividends for the year ended 31 March 2018 can be found in the Strategic report on page 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 adequate cash and liquid resources, and the major cash outflows of the Company (namely investments, share buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

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

Post balance sheet events

Details of events that have occurred since 31 March 2018 are shown in note 19.

Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 14 and 15 of the Strategic report.

VCT regulation

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

(1) The Company's income must be derived wholly or mainly from shares and securities;

(2) At least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings' (80% from 1 April 2020 for the Company);

(3) Until 5 April 2018 for funds raised to 5 April 2011, at least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 and for investments made after 5 April 2018 the figure is 70 per cent;

(4) At the time of investment, or addition to an investment, the Company's holdings in any one company (other than another VCT) must not have exceeded 15 per cent. by HMRC value of its investments;

(5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;

(6) The Company's shares, throughout the year, must have been listed on a regulated European market;

(7) An investment in any company must not cause that company to receive more than £5 million in State aid risk finance in the 12 months up to the date of the investment, nor more than £12 million in total (£20 million for a "knowledge intensive" company);

(8) The Company must not invest in a company whose trade is more than seven years old (ten years for a "knowledge intensive" company) unless the company previously received State aid risk finance in its first seven years, or a turnover test is satisfied;

(9) The Company's investment in another company must not be used to acquire another business, or shares in another company; and

(10) The Company may only make qualifying investments or certain non-qualifying investments permitted by Section 274 of the Income Tax Act 2007.

These tests drive a spread of investment risk through disallowing 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 March 2018. The Company has complied with all tests and continues to do so.

'Qualifying holdings' include shares or securities (including unsecured loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the pie chart on page 9.

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

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

The Finance Act 2018 contained a number of measures that affect all VCTs which will be phased in over the coming years. Further details of some of the changes introduced can be found in the Strategic report on page 10.

Environment

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

Global greenhouse gas emissions

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

Anti-bribery

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

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

Anti-facilitation of tax evasion

The Company has adopted a zero tolerance approach with regards to the facilitation of criminal tax evasion and has put 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 four 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 16.

The Manager has an equal opportunities policy and currently employs 12 men and 16 women.

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.

Employees

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

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 38.

No Director has a service contract with the Company.

All Directors, except for Patrick Reeve, who is the managing partner of the Manager, are members of the Audit Committee, of which Lord St John of Bletso is Chairman. Patrick Reeve, as managing partner of the Manager is deemed to have an interest in the Management agreement and Management performance incentive to which the Company is party.

Directors' indemnity

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

Re-election and election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code. At the forthcoming Annual General Meeting, Maxwell Packe, Lord St John of Bletso and Lady Balfour of Burleigh, having served as Directors for longer than nine years, will retire and offer themselves for re-election. Patrick Reeve is not considered to be independent as he is the managing partner of the Manager, and will therefore also retire and offer himself for re-election at the forthcoming Annual General Meeting. As Christopher Burrows has been appointed since the last Annual General Meeting, he will resign and be subject to election at the forthcoming Annual General Meeting.

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.

Investment and co-investment

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

Auditor

During the year, the Audit Committee undertook a competitive tender process for appointment of the external auditor for the financial year ending 31 March 2018, so as to ensure auditor independence and continued quality of judgement. As a result of this selection process, and evaluation of objective and subjective criteria, it was decided to retain BDO LLP as the external auditor of the Company.

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.

Annual General Meeting

The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 11am on 21 August 2018. The notice of the Annual General Meeting is at the end of this document.

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

Summary of proxies lodged at the Annual General Meeting will be published at www.albion.capital/funds/AAEV under the "Financial Reports and Circulars" section.

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

Change of investment policy

Ordinary resolution number 10 proposes that the Company's general investment policy be amended to enable the Company to comply with new VCT qualifying requirements.

Details of the proposed new investment policy can be found on page 9.

Authority to allot shares

Ordinary resolution number 11 will request the authority for the Directors to allot up to an aggregate nominal amount of £129,153 representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this report.

The Directors current intention is to allot shares under the Dividend Reinvestment Scheme, any future Albion VCTs Top Up Offers and the reissuance of treasury shares where it is in the Company's interest to do so.

The Company currently holds 7,270,443 treasury shares representing 11.3 per cent. of the total Ordinary share capital in issue as at the date of this report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2017. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Disapplication of pre-emption rights

Special resolution number 12 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £129,153 of the nominal value of the share capital representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2017. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Purchase of own shares

Special resolution number 13 will request authority for the Company to purchase up to 9,680,015 shares representing 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution number 13.

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 2017 authority, which was on similar terms. During the financial year under review, the Company purchased 841,000 Ordinary shares for treasury with a nominal value of £8,400 at an aggregate consideration of £800,000 including stamp duty and did not purchase any Ordinary shares for cancellation or dispose of any Ordinary shares. The maximum nominal value of treasury shares held during the year was £72,700.

The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash.

The authority sought by this resolution is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

Special resolution number 14 will request the authority to permit Directors to sell treasury shares at the higher of the prevailing current share price and the price at which they were bought in at.

Recommendation

The Board believes that the passing of the resolutions proposed at the forthcoming Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of all the proposed resolutions, as the Directors intend to do in respect of their own shareholdings.

Disclosure of information to Auditor

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

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

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

By Order of the Board

Albion Capital Group LLP
Company Secretary

1 King's Arms Yard
London, EC2R 7AF
29 June 2018

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 applicable UK accounting standards, subject to any material departures disclosed and explained in the Financial Statements;
- prepare a Strategic report, a Director's report and Director's 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 provides 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 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 which have been prepared in accordance with UK Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- 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 they face.

For and on behalf of the Board

Maxwell Packe
Chairman
29 June 2018

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 2016.

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

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

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

Application of the Principles of the Code

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

Board of Directors

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

Maxwell Packe is the Chairman, and he, Lord St John of Bletso, Lady Balfour of Burleigh and Christopher Burrows are considered independent Directors. Lord St John of Bletso is the Senior Independent Director. Patrick Reeve is not considered an independent Director as he is the managing partner of Albion Capital Group LLP, the Manager.

Maxwell Packe, Lady Balfour of Burleigh and Lord St John of Bletso have been Directors of the Company for more than nine years and, in accordance with the recommendations of the AIC code, are subject to annual re-election. The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director's length of service reduces his/her ability to act independently of the Manager. Patrick Reeve is also subject to annual re-election, as he is not considered to be an independent Director. As Christopher Burrows has been appointed since the last Annual General Meeting, he will resign and be subject to election at the forthcoming Annual General Meeting.

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this report, on page 16. The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender, experience and balance of skills.

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. In accordance with the UK Corporate Governance Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met four times during the year as part of its regular programme of quarterly Board meetings. All of the Directors, except Christopher Burrows who joined after the year end, attended all meetings. A sub-committee of the Board comprising at least two Directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the Albion VCTs Top Up Offers. A sub-committee of the Board also met during the year to approve the terms and contents of the Offers documents under the Albion VCTs Prospectus Top Up Offers 2017/18.

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

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

- the appointment, evaluation, removal and remuneration of the Manager;
- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;

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

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

Committees' and Directors' performance evaluation

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

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

The evaluation process has identified that the Board works well together and has the right balance of skills, experience, independence and knowledge 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 Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

In light of the structured performance evaluation, Maxwell Packe, Lady Balfour of Burleigh, Lord St John of Bletso and Patrick Reeve, all of whom are subject to re-election, and Christopher Burrows who is subject to election, at the forthcoming Annual General Meeting, are considered to be effective Directors and demonstrate strong commitment to the role. On this basis, the Board believes it to be in the best interest of the Company to reappoint these Directors at the forthcoming Annual General Meeting.

Remuneration Committee

Lady Balfour of Burleigh is Chairman of the Remuneration Committee and all of the Directors are members of this Committee except Patrick Reeve. The Committee held one formal meeting during the year which was fully attended by all the members of the Committee.

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/AAEV under the "Corporate Governance" section.

Audit Committee

Lord St John of Bletso is Chairman of the Audit Committee and all of the Directors are members of this Committee except Patrick Reeve. In accordance with the Code, all members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 March 2018; all members attended, except for Christopher Burrows who joined after the year end.

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/AAEV under the "Corporate Governance" section.

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

- formally reviewing the Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements which the Company will continue to publish and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the external Auditor and reviewing their findings;
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board;
- highlighting the key risks and specific issues relating to the Financial Statements including the reasonableness of

valuations, compliance with accounting standards and UK law, corporate governance and listing and disclosure rules as well as going concern. These issues were addressed through detailed review, discussion and challenge by the Board of these matters, as well as by reference to underlying technical information;

- advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- reporting to the Board on how it has discharged its responsibilities.

Financial Statements

The Audit Committee has initial responsibility for reviewing the Financial Statements and reporting on any significant issues that arise in relation to the audit of the Financial Statements as outlined below. The Audit Committee considered whether these issues were properly considered at the planning stage of the audit and 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 Annual Report as well as a quarterly review of the management accounts prepared by the Manager. The Audit Committee has considered the controls in place over revenue recognition to ensure that amounts received are in line with expectation and budget.

Following 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 Audit Committee reviews the performance and continued suitability of the Company's external Auditor on an annual basis. They assess the external Auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external Auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. 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 March 2018, and assessments made by individual Directors.

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 match all the relevant and appropriate criteria.

During the year, the Audit Committee undertook a competitive tender process for appointment of the external auditor for the financial year ending 31 March 2018, so as to ensure auditor independence and continued quality of judgement. The core legislation mandates that the maximum period for which a firm can be appointed auditor of a public interest entity is 10 years. Member states can choose to make this period shorter, or they can choose to allow extensions: to 20 years if a competitive tender is held at the 10 year point. BDO LLP first acted as Auditor for the year ended 31 March 2008. The Company can confirm that there are no contractual obligations that restrict the Company's choice of external auditor. As a result of this selection process, and evaluation of objective and subjective criteria, it was decided to retain BDO LLP as the external Auditor of the Company. The Audit Committee will continue to review and evaluate the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services on an annual basis.

Statement of corporate governance

continued

Nomination Committee

The Nomination Committee consists of all Directors, except Patrick Reeve, with Maxwell Packe as Chairman.

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

Following the year end, the Nomination Committee met to discuss the appointment of a new Director. The Nomination Committee carried out a formal and extensive process to identify appropriately qualified people, and following a detailed interviewing and referencing process, the Nomination Committee recommended the appointment of Christopher Burrows as a new Director.

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/AAEV under the "Corporate Governance" section.

Internal control

In accordance with the UK Corporate Governance Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the FRC guidance "Risk Management, Internal Control and Related Financial and Business Reporting". The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, 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 managing partner and reviews of financial reports are carried out by the operations partner of Albion Capital Group LLP;
- bank reconciliations are carried out monthly and stock reconciliations are carried out six-monthly by the Manager in accordance with FCA requirements;
- all published financial reports are reviewed by the Manager's Compliance department;
- the Board reviews financial information; and
- a separate Audit Committee of the Board reviews published financial information.

As the Board has delegated the investment management and administration of the Company to the Manager, 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 the Manager, 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. The Board and the Audit Committee will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Conflicts of interest

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

Capital structure and Articles of Association

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on pages 26 and 29 of the Directors' report. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

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

Relationships with shareholders

The Company's Annual General Meeting on 21 August 2018 will be used as an opportunity to communicate with shareholders. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

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

The Company's shares are listed on the London Stock Exchange and it is through this market that the Company operates its share buy-back programme. In order for shareholders to sell shares they should, after due consideration of their personal tax position, approach a broker to undertake the sale. Banks may be able to assist shareholders with a referral to a broker within their banking group.

Statement of compliance

The Directors consider that, with the exception of the requirement for the appointment of a Chief Executive Officer the Company has complied throughout the year ended 31 March 2018 with all the relevant provisions set out in the Code and with the AIC Code of Corporate Governance. The Company continues to comply with the Code, as at the date of this report.

For and on behalf of the Board

Maxwell Packe
Chairman
29 June 2018

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 21 August 2018 for the approval of the annual remuneration report as set out below.

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

Annual statement from the Chairman of the Remuneration Committee

The Remuneration Committee comprises all of the Directors, excluding Patrick Reeve, with Lady Balfour of Burleigh as Chairman.

The Remuneration Committee met after the year end to review Directors responsibilities and salaries against the market and concluded that current fees should be increased to remain both competitive and reflective of the workload and responsibilities required from the Directors. The Committee agreed to raise the salary for the Chairman of the Audit Committee to £23,000, and all other Directors to £22,000. The change in remuneration will take place from 1 July 2018 and is in line with the remuneration policy as detailed below.

Directors' remuneration policy

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

This policy was last voted on at the 2017 Annual General Meeting where 93 per cent. of shareholders voted for the resolution approving the Directors' remuneration policy.

The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £100,000 per annum; amendment to this is by way of an ordinary resolution subject to ratification by shareholders.

This policy will continue for the year ending 31 March 2019. An ordinary resolution to approve the Directors' remuneration policy will be put to shareholders at least once every three years.

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. In accordance with the recommendations of the AIC Code, Directors who have served the Company for longer than nine years are subject to annual re-election, and any non-independent Directors are also subject to annual re-election. At the forthcoming Annual General Meeting Maxwelle Packe, Lord St John of Bletso, Lady Balfour of Burleigh and Patrick Reeve will retire and be proposed for re-election. As Christopher Burrows has been appointed since the last Annual General Meeting, he will resign and be subject to election at the forthcoming Annual General Meeting.

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

Shareholders' views in respect of Directors' remuneration are regarded highly and the Board encourages Shareholders' to attend its Annual General Meeting in order to communicate their thoughts, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 93 per cent. of shareholders voted for the resolution approving the Directors' remuneration report.

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 after 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 report continued

Directors' remuneration

The following items have been audited.

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

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Maxwell Packe	**24**	24
Lord St John of Bletso	**22**	22
Lady Balfour of Burleigh	**20**	20
Albion Capital Group LLP (for Patrick Reeve's services)	**20**	20
	86	86

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

Each Director of the Company was remunerated personally through the Manager's payroll, which has been recharged to the Company, save for Patrick Reeve, whose services are provided by Albion Capital Group LLP. From 30 June 2018, Patrick Reeve has agreed to waive his fees for his services as a Director.

The Directors' collective total remuneration for the year ending 31 March 2019, including Christopher Burrows, is expected to be approximately £91,000.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £8,601 (2017: £8,414).

Directors

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

	Shares held on 31 March 2018	Shares held on 31 March 2017
Maxwell Packe	**488,733**	428,613
Lady Balfour of Burleigh	**31,705**	31,705
Lord St John of Bletso	**30,831**	30,831
Patrick Reeve	**86,252**	72,317
	637,521	563,466

There have been no further changes in the holdings of the Directors between 31 March 2018 and the date of this report.

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

Following the year end, Christopher Burrows was appointed as a Director of the Company, an ordinary resolution will be proposed at the 2018 Annual General Meeting for his election.

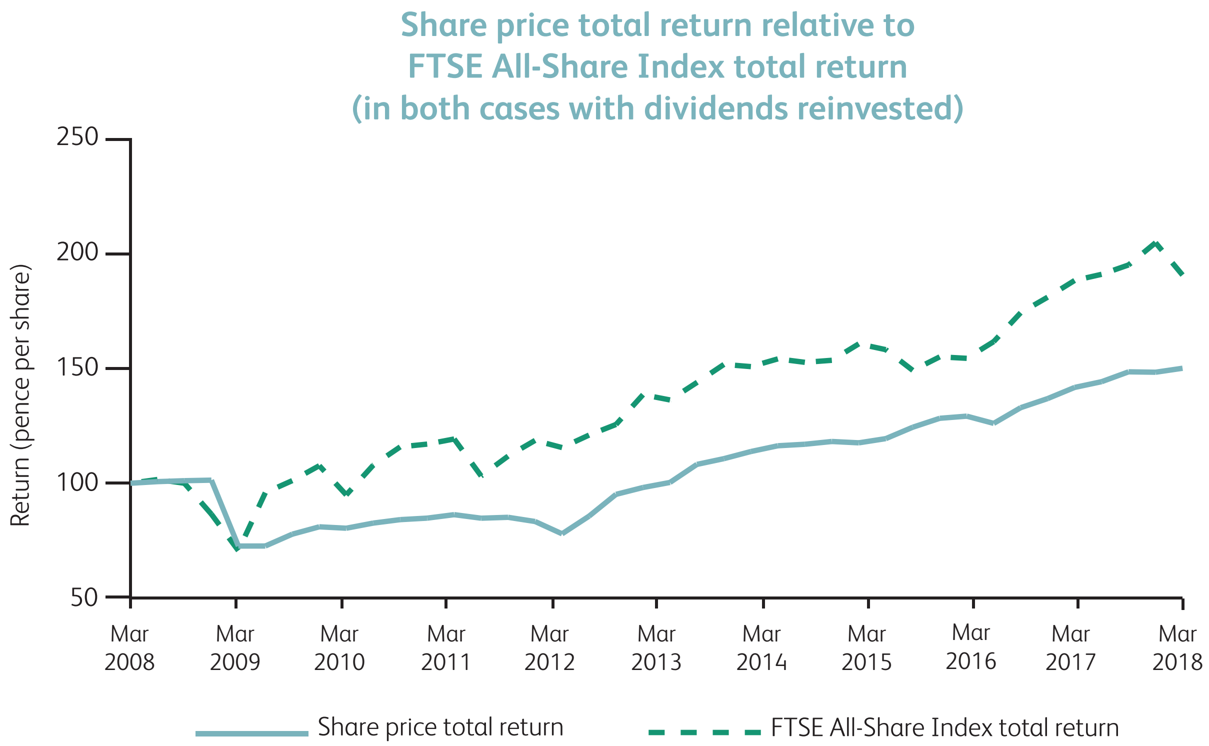
The following items have not been audited.

Albion Capital Group LLP, its partners and staff (including Patrick Reeve) hold a total of 290,393 shares in the Company as at 31 March 2018.

Performance graph

The graph below 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 April 2008. The Directors consider the FTSE All-Share Index to be the most appropriate benchmark for the Company as it contains a large range of sectors within the UK economy similar to a generalist VCT. Investors should, however, be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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



Source: Albion Capital Group LLP

Methodology: The share price total return to the shareholder, including original amount invested (rebased to 100) from 1 April 2008, 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

	2018 £'000	2017 £'000	**Percentage change**
Total dividend distribution to shareholders	**2,711**	2,405	**12.7%**
Share buybacks	**800**	689	**16.1%**
Total Directors fees	**86**	86	**0.0%**

For and on behalf of the Board

Maxwell Packe
Director
29 June 2018

Independent Auditor's report to the Members of Albion Enterprise VCT PLC

Opinion

We have audited the financial statements of Albion Enterprise VCT plc (the "company") for the year ended 31 March 2018 which comprise the income statement, the balance sheet, the statement of changes in equity and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its 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.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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	Audit response
Valuation of investments (Note 2 and 11 to the financial statements) There is a high level of estimation uncertainty involved in determining the unquoted investment valuations. The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 5. As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations. The existence of an expense cap in the management agreement enhances this risk.	We tested a sample of 91% of the unquoted investment portfolio by value of investment holdings. We performed preliminary analytical procedures to determine our investment sample and the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. 51% of the unquoted portfolio is based on valuations using net assets (i.e. cash held), cost (where the investment was recently acquired), the price of a recent investment, or an offer to acquire the investee company. For such investments, we checked the cost, net assets or third party offer to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 March 2018. The remaining 49% of the investment portfolio is valued with reference to more subjective techniques with 35% supported by a valuation performed by a third party (16% based on discounted cash flows and 19% using earnings multiples). The remaining 14% of the portfolio is valued using multiples of revenue or earnings, as described in note 11. Our detailed testing for such investments, performed on all investments within our sample comprised: • Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines obtaining management explanations • Re-performed the calculation of the multiples-based investment valuations • Where a valuation has been performed by a third party management's expert, we 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 (i.e. discount rates and earnings multiples). We also considered any updates for subsequent information to the valuation made by the investment manager and obtained appropriate evidence for those changes • Benchmarked key inputs and estimates to independent information and our own research • Challenged the assumptions inherent in the valuation of unquoted investments and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation • Developed our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased

Key Audit Matter	Audit response
	For investments not included in our detailed testing, we performed the following procedures where relevant: • Considered whether the valuation had been prepared by a suitably qualified individual • Considered whether a valid IPEV methodology had been adopted • Considered whether the valuation used up to date trading information For a sample of loans held at fair value, we: • Vouched security held to documentation • Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept (i.e. the investment as a whole) • Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP
Revenue recognition **(Note 2 and 4 to the financial statements)** Revenue consists primarily of interest earned on loans to investee companies, as well as dividends receivable from investee companies. Revenue recognition is considered to be a significant risk, particularly the assessment of the recoverability of loan interest income, and the completeness of dividends, as it is one of the key drivers of dividend returns to investors. Income arises from unquoted investments and can be difficult to predict. It is often a key factor in demonstrating the performance of the portfolio.	We developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid. We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income, considering management information relevant to the ability of the portfolio company to service the loan and the reasons for any arrears of loan interest. In respect of dividends receivable, we compared actual income to expectations set based on independent published data or management information from the investee company on dividends declared by the portfolio companies held.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality. (2% of gross investments)	Assessing whether the financial statements as a whole present a true and fair view.	• The value of gross investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	£1,040,000 (31 March 2017: £760,000)
Performance materiality.	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • History of prior errors (if any)	£780,000 (31 March 2017: £570,000)
Specific materiality – classes of transactions and balances which impact on net realised returns. *(10% gross expenditure, 31 March 2017: 10% of the revenue return before tax)*	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• Level of gross expenditure	£245,000 (31 March 2017: £40,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £11,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit Committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Independent Auditor's report to the Members of Albion Enterprise VCT PLC continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 March 2008 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 31 March 2018 by the Board. The period of total uninterrupted engagement is 11 years, covering the years ending 31 March 2008 to 31 March 2018.

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

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
29 June 2018

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

Income statement

	Note	Year ended 31 March 2018 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2017 Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	9,205	9,205	–	5,790	5,790
Investment income	4	651	–	651	939	–	939
Investment management fees	5	(342)	(1,027)	(1,369)	(292)	(875)	(1,167)
Performance incentive fee	5	(275)	(825)	(1,100)	(64)	(191)	(255)
Other expenses	6	(241)	–	(241)	(227)	–	(227)
Return/(loss) on ordinary activities before taxation		(207)	7,353	7,146	356	4,724	5,080
Tax (charge)/credit on ordinary activities	8	–	–	–	(57)	57	–
Return/(loss) and total comprehensive income attributable to shareholders		(207)	7,353	7,146	299	4,781	5,080
Basic and diluted return/(loss) per share (pence)*	10	(0.39)	13.79	13.40	0.64	10.23	10.87

* excluding treasury shares.

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

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

Balance sheet

	Note	31 March 2018 £'000	31 March 2017 £'000
Fixed asset investments	11	**52,436**	37,775
Current assets			
Current asset investments	13	**1,127**	–
Trade and other receivables less than one year	13	**105**	232
Cash and cash equivalents		**9,760**	15,121
		10,992	15,353
Total assets		**63,428**	53,128
Payables: amounts falling due within one year			
Trade and other payables less than one year	14	**(1,557)**	(670)
Total assets less current liabilities		**61,871**	52,458
Equity attributable to equity holders			
Called up share capital	15	**638**	580
Share premium		**28,945**	23,225
Capital redemption reserve		**104**	104
Unrealised capital reserve		**17,657**	9,910
Realised capital reserve		**890**	1,284
Other distributable reserve		**13,637**	17,355
Total equity shareholders' funds		**61,871**	52,458
Basic and diluted net asset value per share (pence)*	16	**109.46**	101.79

* excluding treasury shares.

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

These Financial Statements were approved by the Board of Directors, and were authorised for issue on 29 June 2018 and were signed on its behalf by

Maxwell Packe
Chairman

Company number: 05990732

Statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 April 2017	580	23,225	104	9,910	1,284	17,355	52,458
Return/(loss) and total comprehensive income for the year	–	–	–	8,852	(1,499)	(207)	7,146
Transfer of previously unrealised gains on disposal of investments	–	–	–	(1,105)	1,105	–	–
Issue of equity	58	5,845	–	–	–	–	5,903
Cost of issue of equity	–	(125)	–	–	–	–	(125)
Purchase of own shares for treasury	–	–	–	–	–	(800)	(800)
Dividends paid	–	–	–	–	–	(2,711)	(2,711)
As at 31 March 2018	638	28,945	104	17,657	890	13,637	61,871
As at 1 April 2016	518	17,285	104	6,389	24	20,150	44,470
Return/(loss) and total comprehensive income for the year	–	–	–	5,016	(235)	299	5,080
Transfer of previously unrealised gains on disposal of investments	–	–	–	(1,495)	1,495	–	–
Issue of equity	62	6,106	–	–	–	–	6,168
Cost of issue of equity	–	(166)	–	–	–	–	(166)
Purchase of own shares for treasury	–	–	–	–	–	(689)	(689)
Dividends paid	–	–	–	–	–	(2,405)	(2,405)
As at 31 March 2017	580	23,225	104	9,910	1,284	17,355	52,458

* These reserves amount to £14,527,000 (2017: £18,639,000) which is considered distributable.

Statement of cash flows

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cash flow from operating activities		
Investment income received	581	733
Dividend income received	39	70
Deposit interest received	12	76
Investment management fee paid	(1,312)	(1,117)
Performance incentive fee paid	(255)	–
Other cash payments	(236)	(226)
UK corporation tax paid	–	(11)
Net cash flow from operating activities	(1,171)	(475)
Cash flow from investing activities		
Purchase of current asset investments	(1,200)	–
Purchase of fixed asset investments	(7,143)	(3,375)
Disposal of fixed asset investments	1,907	4,424
Net cash flow from investing activities	(6,436)	1,049
Cash flow from financing activities		
Issue of share capital	5,359	8,271
Cost of issue of equity	(3)	(1)
Dividends paid	(2,289)	(2,037)
Purchase of own shares (including costs)	(821)	(666)
Net cash flow from financing activities	2,246	5,567
(Decrease)/increase in cash and cash equivalents	(5,361)	6,141
Cash and cash equivalents at start of the year	15,121	8,980
Cash and cash equivalents at end of the year	9,760	15,121
Cash and cash equivalents comprise		
Cash at bank	9,760	15,121
Cash equivalents	–	–
Total cash and cash equivalents	9,760	15,121

Notes to the Financial Statements

1. Accounting convention

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

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

Company information can be found on page 2.

2. Accounting policies

Fixed asset investments

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

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

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

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

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;
- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the IPEVCV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate a diminution include:
  - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
  - a significant adverse change either in the portfolio company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
  - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

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

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

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

Bank interest income

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

Investment management fees and other expenses

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

- 75 per cent. of management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments. 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.

Performance incentive fee

Any performance incentive fee will be allocated between other distributable and realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Taxation

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

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

Reserves

Share premium

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

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, 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 2013 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.

3. Gains on investments

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Unrealised gains on fixed asset investments	8,925	5,016
Unrealised losses on current asset investments	(73)	–
Realised gains on fixed asset investments	353	774
	9,205	5,790

4. Investment income

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Income recognised on investments		
Interest from loans to portfolio companies	599	800
Dividends	39	70
Bank deposit interest	13	69
	651	939

Interest income earned on impaired investments at 31 March 2018 amounted to £1,000 (2017: £15,000).

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

5. Investment management fees

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Investment management fee charged to revenue	342	292
Investment management fee charged to capital	1,027	875
Performance incentive fee charged to revenue	275	64
Performance incentive fee charged to capital	825	191
	2,469	1,422

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 pages 12 and 13.

During the year, services of a total value of £1,369,000 (2017: £1,167,000) were purchased by the Company from Albion Capital Group LLP in respect of management fees. In addition, a performance incentive fee with a value of £1,100,000 (2017: £255,000) has been disclosed in the Income statement. At the financial year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals and deferred income was £1,485,000 (2017: £583,000).

Patrick Reeve is the managing partner of the Manager, Albion Capital Group LLP. During the year, the Company was charged by Albion Capital Group LLP £24,000 including VAT (2017: £24,000) in respect of his services as a Director. At the year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals and deferred income was £6,000 (2017: £6,000). From 30 June 2018, Patrick Reeve has agreed to waive his fees for his services as a Director.

Albion Capital Group LLP, its partners and staff (including Patrick Reeve) hold a total of 290,393 shares in the Company as at 31 March 2018.

5. Investment management fees (continued)

The Manager is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the year ended 31 March 2018, fees of £232,000 attributable to the investments of the Company were received pursuant to these arrangements (2017: £167,000).

Additionally, following approval at the 2017 Annual General Meeting of the investment policy which permitted investment of working capital in open-ended funds to obtain equity returns, an amount of £1,200,000 was invested in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") as part of the Company's management of surplus liquid funds. To avoid double charging, Albion agreed to reduce its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM. This resulted in a reduction of the management fee of £2,000.

6. Other expenses

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Directors' fees and associated costs (inclusive of NIC and VAT)	**96**	97
Auditor's remuneration for statutory audit services (exclusive of VAT)	**28**	26
Other administrative expenses	**117**	104
	241	227

7. Directors' fees and associated costs

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

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Directors' fees	**86**	86
National insurance and/or VAT	**10**	10
Expenses	**–**	1
	96	97

The Company's key management personnel are the Directors. Expenses charged related to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 37 to 39.

8. Tax charge on ordinary activities

	Year ended 31 March 2018			Year ended 31 March 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of the current year	**–**	**–**	**–**	57	(57)	–

Factors affecting the tax charge	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Return on ordinary activities before tax	**7,146**	5,080
Tax charge on profit at the standard companies rate of 19% (2017: 20%)	**1,358**	1,016
Factors affecting the charge:		
Non taxable gains	**(1,749)**	(1,158)
Non taxable income	**(7)**	(14)
Unutilised management expenses	**398**	156
	–	–

8. Tax charge on ordinary activities (continued)

The tax charge for the year shown in the Income statement is lower than the standard company's rate of corporation tax in the UK of 19 per cent. (2017: 20 per cent.). The differences are explained above. The Company has excess management expenses of £2,878,000 (2017: £779,000) that are available for offset against future profits. A deferred tax asset of £489,000 (2017: £132,000) has not been recognised in respect of those losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

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.

9. Dividends

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Dividend of 2.50p per share paid on 31 August 2016	–	1,156
Dividend of 2.50p per share paid on 28 February 2017	–	1,249
Dividend of 2.50p per share paid on 31 August 2017	1,294	–
Dividend of 2.50p per share paid on 28 February 2018	1,417	–
	2,711	2,405

Details of the consideration paid 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 for the year ending 31 March 2019 of 3.00 pence per share to be paid on 31 August 2018 to shareholders on the register on 3 August 2018. The total dividend will be approximately £1,719,000.

10. Basic and diluted return per share

	Year ended 31 March 2018			Year ended 31 March 2017		
	Revenue	Capital	Total	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return/(loss) attributable to equity shares (£'000)	(207)	7,353	7,146	299	4,781	5,080
Weighted average shares in issue (excluding treasury shares)		53,333,261			46,759,602	
Return/(loss) attributable per equity share (pence)	(0.39)	13.79	13.40	0.64	10.23	10.87

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

The weighted average number of shares is calculated excluding treasury shares of 7,270,443 (2017: 6,429,443).

Notes to the Financial Statements continued

11. Fixed asset investments

	31 March 2018 £'000	31 March 2017 £'000
Investments held at fair value through profit or loss		
Unquoted equity and preference shares	**34,581**	21,426
Quoted equity	**237**	368
Unquoted loan stock	**17,618**	15,981
	52,436	37,775

	31 March 2018 £'000	31 March 2017 £'000
Opening valuation	**37,775**	32,971
Purchases at cost	**8,200**	3,407
Disposal proceeds	**(2,834)**	(4,427)
Realised gains	**353**	774
Movement in loan stock revenue accrued income	**17**	35
Unrealised gains	**8,925**	5,016
Closing valuation	**52,436**	37,775
Movement in loan stock revenue accrued income		
Opening accumulated movement in loan stock revenue accrued income	**216**	181
Movement in loan stock revenue accrued income	**17**	35
Closing accumulated movement in loan stock revenue accrued income	**233**	216
Movement in unrealised gains		
Opening accumulated unrealised gains	**9,910**	6,389
Movement in unrealised gains	**8,925**	5,016
Transfer of previously unrealised gains to realised reserve on disposal of investments	**(1,105)**	(1,495)
Closing accumulated unrealised gains	**17,730**	9,910
Historic cost basis		
Opening book cost	**27,649**	26,400
Purchases at cost	**8,200**	3,407
Sales at cost	**(1,376)**	(2,158)
Closing book cost	**34,473**	27,649

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

11. Fixed asset investments (continued)

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

Valuation methodology	31 March 2018 £'000	31 March 2017 £'000
Cost and price of recent investment (reviewed for impairment or uplift)	16,964	14,640
Third party valuation – Earnings multiple	9,732	8,826
Discount to third party offer	9,451	–
Third party valuation – Discounted cash flow	8,538	8,042
Revenue multiple	7,007	4,115
Earnings multiple	662	1,702
Net assets	82	82
	52,436	37,407

Fair value investments had the following movements between valuation methodologies between 31 March 2017 and 31 March 2018:

Change in valuation methodology (2017 to 2018)	Value as at 31 March 2018 £'000	Explanatory note
Price of recent investment to discount to third party offer	9,451	Third party offer received
Cost to revenue multiple	1,179	More recent information available

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 IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 March 2018.

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.

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 in the year to 31 March 2018:

	31 March 2018 £'000	31 March 2017 £'000
Opening balance	37,407	32,366
Additions	8,200	3,407
Disposals	(2,834)	(4,427)
Realised gains	353	774
Accrued loan stock interest	17	35
Unrealised gains	9,056	5,252
Closing balance	52,199	37,407

11. Fixed asset investments (continued)

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. 75 per cent. of the portfolio of investments is based on cost, recent investment price, discount to third party offer or is loan stock, and as such the Board considers that the assumptions used for their valuations are the most reasonable. The Directors believe that changes to reasonable possible alternative assumptions (by adjusting the revenue and earnings multiples) for the valuations of the remainder of the portfolio companies could result in an increase in the valuation of investments by £753,000 or a decrease in the valuation of investments by £899,000. For valuations based on earnings and revenue multiples, the Board considers that the most significant input is the price/earnings ratio; for valuations based on third party valuations, the Board considers that the most significant inputs are price/earnings ratio, discount factors and market values for buildings; which have been adjusted to drive the above sensitivities.

12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the portfolio company, it will not take a controlling interest or become involved in the management of a portfolio company. 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 investments listed below are held as part of an investment portfolio and therefore, as permitted by FRS 102 section 9.9B, they are measured at fair value through profit and loss and not accounted for using the equity method.

The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio company as at 31 March 2018 as described below:

Company	Registered postcode	Profit before tax £'000	Net assets £'000	Result for year ended	% class and share type	% total voting rights
Greenenerco Limited	EC2R 7AF, UK	n/a*	516	31 March 2017	28.6% A Ordinary	28.6%

*The Company files filleted accounts which do not disclose this information.

13. Current assets

Current asset investments	31 March 2018 £'000	31 March 2017 £'000
SVS Albion OLIM UK Equity Income Fund	1,127	–

Current asset investments at 31 March 2018 consist of cash invested in SVS Albion OLIM UK Equity Income Fund and is capable of realisation within 7 days. These are valued using the level 1 fair value hierarchy as defined in note 11.

Trade and other receivables less than one year	31 March 2018 £'000	31 March 2017 £'000
Deferred consideration	97	226
Prepayments and accrued income	8	6
	105	232

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 March 2018 £'000	31 March 2017 £'000
Trade payables	11	30
Accruals and deferred income	1,546	640
	1,557	670

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

15. Called up share capital

Allotted, called up and fully paid	£'000
57,964,774 Ordinary shares of 1 penny each at 31 March 2017	580
5,829,378 Ordinary shares of 1 penny each issued during the year	58
63,794,152 Ordinary shares of 1 penny each at 31 March 2018	**638**
6,429,443 Ordinary shares of 1 penny each held in treasury at 31 March 2017	(64)
841,000 Ordinary shares purchased during the year to be held in treasury	(8)
7,270,443 Ordinary shares of 1 penny each held in treasury at 31 March 2018	**(72)**
56,523,709 Ordinary shares of 1 penny each in circulation* at 31 March 2018	**566**

* Carrying one vote each

The Company purchased 841,000 shares (2017: 759,443) to be held in treasury at a nominal value of £8,410 and a cost of £800,000 (2017: £689,000) representing 1.3 per cent. of the shares in issue as at 31 March 2018, leading to a balance of 7,270,443 shares (2017: 6,429,443) in treasury representing 11.4 per cent. (2017: 11.1 per cent.) of the shares in issue as at 31 March 2018.

Under the terms of the Dividend Reinvestment Scheme Circular (dated 26 November 2009), the following new Ordinary shares of nominal value 1 penny each were allotted during the year:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
31 August 2017	203,492	2	98.28	199	97.00
28 February 2018	219,253	2	101.38	221	95.50
	422,745	**4**		**420**	

During the year the following new Ordinary shares of nominal value 1 penny each were allotted under the terms of the Albion VCTs Prospectus Top Up Offers 2016/2017 and the Albion VCTs Prospectus Top Up Offers 2017/18:

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)
7 April 2017	15,240	–	99.40	15	95.00
7 April 2017	16,057	–	99.90	16	95.00
7 April 2017	263,313	3	100.50	256	95.00
17 November 2017	1,324,563	13	99.80	1,302	95.25
17 November 2017	616,447	6	100.30	606	95.25
17 November 2017	1,796,032	18	100.80	1,765	95.25
31 January 2018	1,374,981	14	104.30	1,398	95.50
	5,406,633	**54**		**5,358**	

16. Basic and diluted net asset value per share

	31 March 2018 (pence per share)	31 March 2017 (pence per share)
Basic and diluted net asset value per Ordinary share	**109.46**	101.79

The basic and diluted net asset value per share at the year end is calculated in accordance with the Articles of Association and is based upon total shares in issue (less treasury shares) of 56,523,709 Ordinary shares (2017: 51,535,331) at 31 March 2018.

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 8 of the Chairman's statement.

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

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

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

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

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted investments, details of which are shown on pages 19 and 20. 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 companies 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 reviews 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 and quoted investments.

The maximum investment risk as at the balance sheet date is the value of the fixed and current asset investment portfolio which is £53,563,000 (2017: £37,775,000). Fixed and current asset investments form 87 per cent. of the net asset value as at 31 March 2018 (2017: 72 per cent.).

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

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. To mitigate the investment price risk for the Company as a whole, the strategy of the Company has been to invest in a broad spread of industries using a mixture of equity and debt securities in accordance with the VCT regulations. Debt securities, which, owing to the structure of their yield, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Strategic report.

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

As required under FRS 102 section 34.29, the Board is required to illustrate by way of a sensitivity analysis, the degree of exposure to market risk. The Board considers that the value of the fixed and current asset investment portfolio is sensitive to a 10 per cent. change based on the current economic climate. The impact of a 10 per cent. change has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and future expectations.

The sensitivity of a 10 per cent. increase or decrease in the valuation of the fixed and current asset investments (keeping all other variables constant) would increase or decrease the net asset value and return for the year by £5,356,000 (2017: £3,778,000).

Interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise of 1.0 per cent. in all interest rates would have increased total return before tax for the year by approximately £65,000 (2017: £77,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average effective interest rate applied to the Company's unquoted loan stock during the year was approximately 4.3 per cent. (2017: 6.3 per cent.). The weighted average period to expected maturity for the unquoted loan stock is approximately 4.8 years (2017: 5.0 years).

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

	31 March 2018				31 March 2017			
	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	–	–	34,581	34,581	–	–	21,426	21,426
Quoted equity	–	–	237	237	–	–	368	368
Unquoted loan stock	16,482	–	1,136	17,618	15,571	–	410	15,981
Current asset investments	–	–	1,127	1,127	–	–	–	–
Receivables*	–	–	99	99	–	–	227	227
Current liabilities	–	–	(1,557)	(1,557)	–	–	(670)	(670)
Cash	–	9,760	–	9,760	–	15,121	–	15,121
	16,482	9,760	35,623	61,865	15,571	15,121	21,761	52,453

*The receivables do not reconcile to the Balance sheet as prepayments are not included in the above table.

17. Capital and financial instruments risk management (continued)

Credit risk

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

The Manager evaluates credit risk on loan stock and other similar instruments prior to investment, and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. Typically loan stock instruments have a fixed or floating charge, which may or may not have been subordinated, 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 as at 31 March 2018 was limited to £17,618,000 (2017: £15,981,000) of unquoted loan stock instruments, £9,760,000 (2017: £15,121,000) of cash deposits with banks and £99,000 (2017: £227,000) of other receivables.

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

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

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

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

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted share capital and reserves of the latest published audited Balance sheet, which amounts to £6,015,000 (2017: £5,116,000) as at 31 March 2018.

The Company has no committed borrowing facilities as at 31 March 2018 (2017: nil) and had cash balances of £9,760,000 (2017: £15,121,000), which are considered to be readily realisable within the timescales required to make cash available for investment. The main cash outflows are for new investments, share buy-backs and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. All the Company's financial liabilities are short term in nature and total £1,557,000 as at 31 March 2018 (2017: £670,000).

17. Capital and financial instruments risk management (continued)

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

	31 March 2018				31 March 2017			
Redemption date	Fully performing £'000	Past due £'000	Impaired £'000	Total £'000	Fully performing £'000	Past due £'000	Impaired £'000	Total £'000
Less than one year	4,256	1,326	515	6,097	4,074	1,210	534	5,818
1-2 years	1,289	600	–	1,889	1,322	124	–	1,446
2-3 years	1,156	124	15	1,295	1,617	555	–	2,172
3-5 years	3,992	–	–	3,992	2,328	113	–	2,441
Greater than 5 years	4,345	–	–	4,345	4,104	–	–	4,104
Total	15,038	2,050	530	17,618	13,445	2,002	534	15,981

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

Impaired loan stock has a cost of £590,000 (2017: £606,000).

In view of the factors identified above, the Board considers that the Company is subject to low liquidity risk.

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2018, are stated at fair value as determined by the Directors, with the exception of receivables and payables and cash, which are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than payables. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

18. Commitments and contingencies

There are no contingent liabilities or guarantees given by the Company as at 31 March 2018 (2017: nil).

19. Post balance sheet events

Since 31 March 2018 the Company has had the following post balance sheet events:

- Cash proceeds of £8,468,000 were received on 17 May 2018 for the sale of Grapeshot Limited, with further amounts held in escrow;
- Investment of £961,000 in Sandcroft Avenue Limited (PayAsUGym.com);
- Investment of £800,000 in SVS Albion OLIM UK Equity Income Fund;
- Investment of £211,000 in Black Swan Data Limited;
- Investment of £210,000 in uMotif Limited;
- Investment of £189,000 in Abcodia Limited;
- Investment of £180,000 in MyMeds&Me Limited;
- Investment of £165,000 in InCrowd Sports Limited;
- Investment of £148,000 in DySIS Medical Limited; and
- Investment of £100,000 in Healios Limited.

19. Post balance sheet events (continued)

The following new Ordinary shares of nominal value 1 penny each were allotted under the Albion VCTs Prospectus Top Up Offers 2017/18 after 31 March 2018:

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)
5 April 2018	575,386	6	104.00	584	95.50
11 April 2018	77,861	1	103.00	79	94.00
11 April 2018	5,603	–	103.50	6	94.00
11 April 2018	123,485	1	104.00	125	94.00
	782,335	8		794	

20. Related party transactions

In November 2016, Albion acquired OLIM Investment Managers ("OLIM"), a specialist fund manager of UK quoted equities. During the year, a total of £1,200,000 (2017: £nil) was invested into the SVS Albion OLIM UK Equity Income Fund ("OUEIF") following shareholder approval at the 2017 Annual General Meeting, with a further £800,000 invested after the year end.

Albion agreed to reduce that proportion of its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM; this resulted in a reduction of the management fee of £2,000 (2017: £nil).

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Enterprise VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London, EC2N 1DS on 21 August 2018 at 11am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 11 will be proposed as ordinary resolutions and numbers 12 to 14 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 March 2018 together with the reports of the Directors and Auditor.
2. To approve the Directors' remuneration report for the year ended 31 March 2018.
3. To elect Christopher Burrows as a Director of the Company.
4. To re-elect Maxwell Packe as a Director of the Company.
5. To re-elect Lady Balfour of Burleigh as a Director of the Company.
6. To re-elect Lord St John of Bletso as a Director of the Company.
7. To re-elect Patrick Reeve as a Director of the Company.
8. To re-appoint BDO LLP as Auditor of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.
9. To authorise the Directors to agree the Auditor's remuneration.

Special Business

10. Change in investment policy

That the Company's investment policy be amended by replacing the wording under the heading "Investment policy" in the current policy with the following wording:

"The Company will invest in a broad portfolio of higher growth businesses across a variety of sectors of the UK economy including higher risk technology companies. 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 both in terms of sector and stage of maturity of company.

VCT qualifying and non-VCT qualifying investments

Application of the investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs ("VCT regulations"). The maximum amount invested in any one company is limited to any HMRC annual investment limits. It is intended that normally at least 80 per cent. of the Company's funds will be invested in VCT qualifying investments. The VCT regulations also have an impact on the type of investments and qualifying sectors in which the Company can make investment.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 10 per cent. of the Company's assets at the time of investment."

11. 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 Ordinary shares of 1 penny each in the capital of the Company ("Ordinary shares") up to an aggregate nominal amount of £129,153 (which comprises approximately 20 per cent. of the Company's issued Ordinary shares as at the date of this Notice) provided that this authority shall expire 15 months from the date that this resolution is passed, or, if earlier, at 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.

12. Authority for the disapplication of pre-emption rights

That, subject to the authority and conditional on the passing of resolution number 11, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 11 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.

13. Authority to purchase own shares

That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares, on such terms as the Directors think fit, provided always that:

(a) the maximum aggregate number of shares hereby authorised to be purchased is 9,680,015 Ordinary shares representing 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of this Notice;

(b) the minimum price which may be paid for an Ordinary share shall be 1 penny (exclusive of expenses);

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be an amount being not more than the higher of (i) 105 per cent. of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out; and

(d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire 15 months from the date that this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

14. Authority to sell treasury shares

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

By Order of the Board

Albion Capital Group LLP
Company Secretary
Registered office
1 King's Arms Yard
London, EC2R 7AF
29 June 2018

Albion Enterprise VCT PLC is registered in England and Wales with number 05990732

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 11am on 17 August 2018.

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 11am on 17 August 2018 (or, in the event of any adjournment, on the date which is two working days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this AGM and any adjournment(s) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 11am 17 August 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion.capital/funds/AAEV under the "Funds 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 will be available for inspection at the Company's registered office from the date of the Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.

9. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM: or (ii) any circumstances connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with section 527 and 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

10. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

11. Members satisfying the thresholds in Section 388A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.

    A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

12. As at 27 June 2018 being the latest practicable date prior to the publication of this Notice, the Company's issued share capital consists of 64,576,487 Ordinary shares of 1 penny each. The Company also holds 7,270,443 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 27 June 2018 are 57,306,044.

Perivan Financial Print 250145

aic
The Association of
Investment Companies

A member of the Association
of Investment Companies

RECYCLED
Paper made from
recycled material
FSC® C018885

This report is printed on Amadeus offset a totally recycled paper produced using 100% recycled waste at a mill that has been awarded the ISO 14001 certificate for environmental management. The pulp is bleached using a totally chlorine free (TCF) process.

ALBION CAPITAL