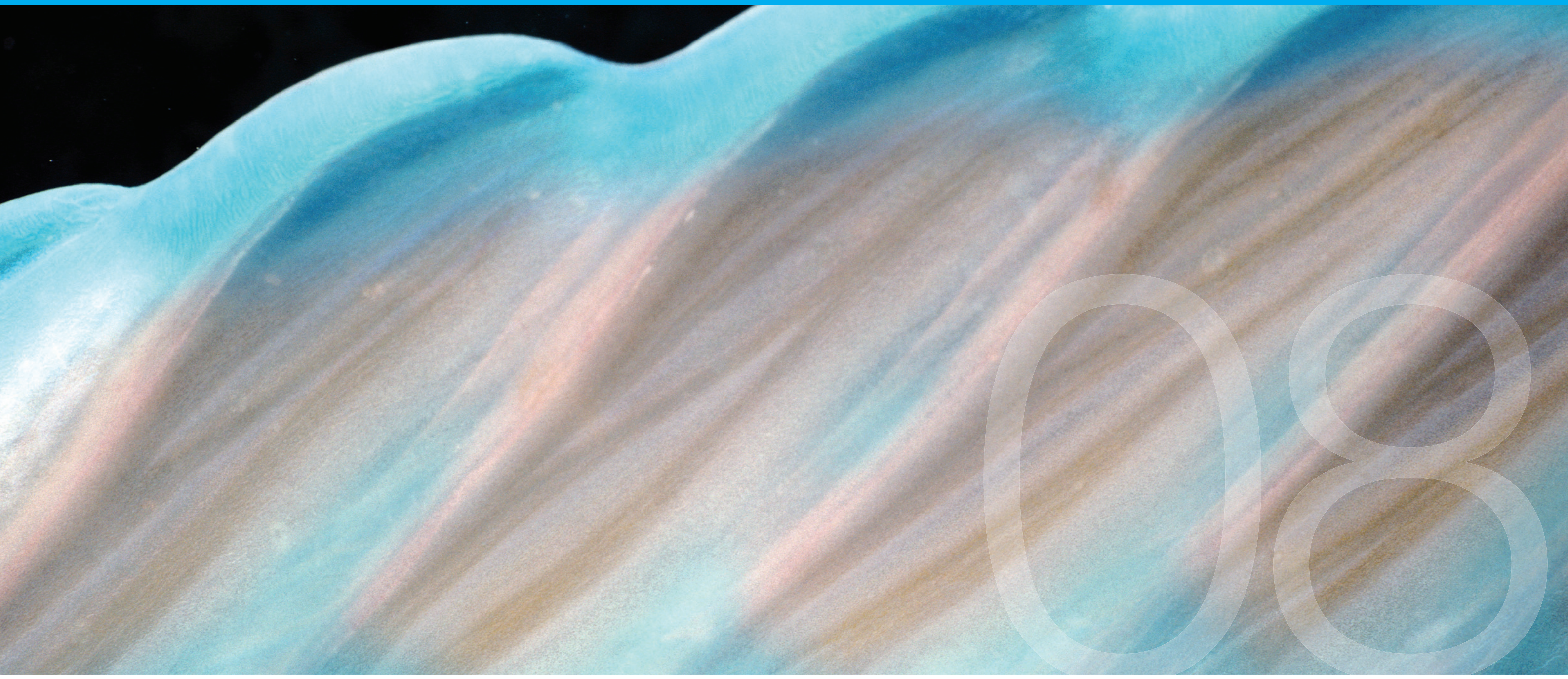
Annual Report and Financial Statements for the year ended 31 December 2008



Albion Development VCT PLC
(formerly Close Brothers Development VCT PLC)

ALBION VENTURES

Contents

Company Information

Company Number	3654040
Directors	G O Vero FCA, Chairman A Phillipps PhD MBA D C Pinckney MA FCA J G T Thornton MA MBA FCA
Company secretary and registered office	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Manager	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Registrar and shareholders' helpline	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA
Custodian	Capita Trust Company Limited Phoenix House 7th Floor 18 King William Street London, EC4N 7HE
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
Taxation advisers	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RN
Legal adviser	Berwin Leighton Paisner Adelaide House London Bridge London, EC4R 9HA

Albion Development VCT PLC is a member of the Association of Investment Companies.

Shareholder information	For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars Limited: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras) Email: *ssd@capitaregistrars.com* Website: *www.capitaregistrars.com* For enquiries relating to the performance of the Fund please contact Albion Ventures LLP: Tel: 020 7601 1850 Email: *enquiries@albion-ventures.co.uk* Website: *www.albion-ventures.co.uk*
IFA information	Independent Financial Advisors with questions please contact Albion Ventures LLP: Tel: 08442 579 722 (calls cost 4p per minute plus network extras) Email: *enquiries@albion-ventures.co.uk* Website: *www.albion-ventures.co.uk*

Investment Objectives

Albion Development VCT PLC (the "Company") is a venture capital trust which raised a total of £14.6 million through an issue of shares in 1999, £11.7 million through an issue of 'C' shares in late 2002 and the first half of 2003 and a further £7.0 million through a new 'C' share issue during 2004. The investment strategy of the Company is to establish a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risks normally associated with investment in such companies. It is intended that this will be achieved as follows:

- Through investment in lower risk, often property based investments that provide a strong income stream to the VCT combined with a protection of capital. These include freehold-based businesses in the leisure sector, such as pubs and health clubs, as well as stable and profitable businesses in other sectors including business services and healthcare. Such investments will constitute the majority of investments by cost.
- These would be balanced by a smaller number of higher risk companies with greater growth prospects in sectors such as support, software and computer services.
- In neither category would investee companies normally have any external borrowings with a prior charge ranking ahead of the VCT.
- Up to two-thirds of qualifying investments by cost will comprise loan stock secured with a first charge on the investee company's assets.

Financial Calendar

Annual General Meeting	28 May 2009
Announcement of interim results for the six months ending 30 June 2009	August 2009

Financial Highlights

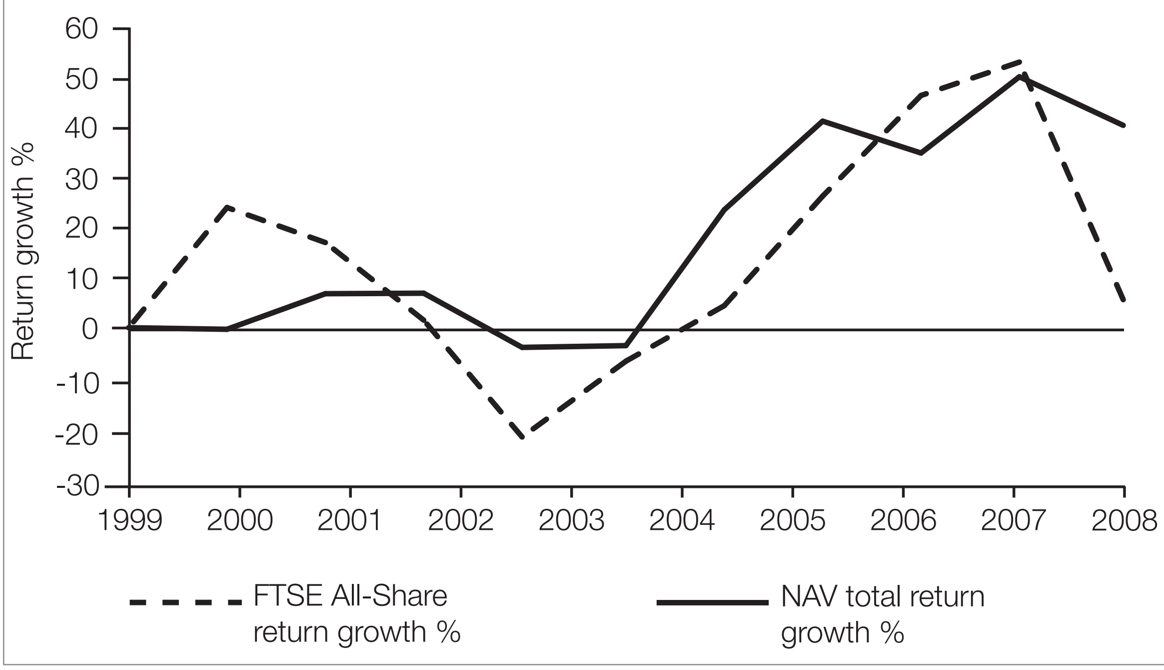
130.6p Net asset value plus dividends since launch to 31 December 2008

8.0p Tax free dividend per share paid in respect of the year ending 31 December 2008

4.0p Tax free dividend per share paid on 30 December 2008 in advance for the year ending 31 December 2009

84.8p Net asset value per share as at 31 December 2008

Net Asset Value total return growth relative to FTSE All-Share Index (in both cases with dividends reinvested)



Source: Albion Ventures LLP

Financial Highlights (continued)

	Year ended 31 December 2008 (pence per share)	Year ended 31 December 2007 (pence per share)
Dividends paid	12.0	5.0
Revenue return	3.9	4.8
Capital (loss)/return	(8.2)	6.0
Net asset value	84.8	100.9

Total shareholder net asset value return to 31 December 2008:

		Ordinary shares 31 December 2008 (pence per share)(ii)	C shares 31 December 2008 (pence per share)(ii)
Total dividends paid during the year ended:	31 December 1999(i)	1.00	–
	31 December 2000	2.90	–
	31 December 2001	3.95	–
	31 December 2002	4.20	–
	31 December 2003(iii)	4.50	0.75
	31 December 2004	4.00	2.00
	31 December 2005	5.20	5.90
	31 December 2006	3.00	4.50
	31 December 2007(iv)	5.00	5.36
	31 December 2008(iv)	12.00	12.86
Total dividends paid to 31 December 2008		45.75	31.37
Net asset value as at 31 December 2008(iv)		84.80	90.86
Total shareholder return to 31 December 2008		**130.55**	**122.23**

A third dividend for the year of 4.0 pence per share was paid on 30 December 2008. It is intended that this third dividend will replace the first dividend for the year ended 31 December 2009.

Notes

(i) Assuming subscription for Ordinary shares by the First Closing on 26 January 1999.

(ii) Excludes tax benefits upon subscription.

(iii) Those subscribing for C shares after 30 June 2003 were not entitled to the interim dividend.

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

Chairman's Statement

Introduction

The financial performance for the year to 31 December 2008 reflects the worsening economic environment. The Company saw a total negative return of 4.3 pence per share over the year (2007: 10.8 pence per share positive return) resulting in a decline in net asset value, after the payment of 12.0 pence (2007: 5.0 pence) in dividends to 84.8 pence per share compared to 100.9 pence per share as at 31 December 2007. A decline in the level of market valuation multiples, the growing recession in the general economy, and the cautious view of our investee companies' trading prospects, has led to a general downward pressure on the valuation of investments.

Investment progress and prospects

A total of £3.1 million was invested in six new investee companies and ten existing investee companies during the year. In addition, it is pleasing that our investment in Grosvenor Health Limited was sold for a capital profit of £3.5 million after having generated a further £1.0 million income on the total investment of £2.2 million.

The slowdown in consumer spending has adversely affected trading in, and income generated by, some of our leisure oriented businesses, particularly pubs and health and fitness clubs. This, combined with the historically very low market interest rates, will adversely affect the Company's income in 2009. Nevertheless, we believe that your Company's policy of ensuring that it has a first charge wherever possible over investee companies' assets is helping to mitigate the adverse effects of the severe economic downturn. In addition, your Company's cash resources will enable the VCT to take advantage of the lower valuations now becoming apparent with regard to new investments.

Recovery of historic VAT

Following a period of lobbying by the Association of Investment Companies, the welcome review of the position regarding the exemption of management fees from VAT by H.M. Revenue & Customs in July 2008 has meant that the Manager is able to reclaim historic VAT that it had previously charged to the Company. A net reclaim of historic VAT of £414,000 (before the deduction of tax) has been credited to the accounts in respect of the repayment. Further details regarding this claim, and its disclosure, are shown in note 6 of the Annual Report and Financial Statements. With effect from 1 October 2008, all management and administration fees are considered exempt from VAT.

Risks and uncertainties

The strongly negative outlook for the UK economy continues to be the key risk both in valuations, and in reductions in loan stock interest receivable, affecting the Company and, as mentioned above, we are seeing the effects of this in certain sectors of our portfolio. Nevertheless, despite pressure on certain of our investee companies, the portfolio as a whole remains cash generative and it remains our policy for investee companies to have no external bank borrowings. This leads us to anticipate that, over the longer term, the current reductions in valuation represent value deferred rather than value permanently lost, although valuations and income may come under further pressure in the short term.

Meanwhile, opportunities within our target sectors continue to arise at attractive valuations, including the healthcare sector which will be one of our core areas of concentration going forward. A detailed analysis of the other risks and uncertainties facing the business are shown in the Directors' Report and Business Review within this Annual Report and Financial Statements.

Results and dividends

As at 31 December 2008, the net asset value was £25.4 million or 84.8 pence per share compared to £30.9 million or 100.9 pence per share as at 31 December 2007. Excluding the impact of the recovery of historic VAT, the Revenue return before taxation was £1.6 million, a slight reduction on the previous year of £1.8 million, predominantly due to a lower return on loan stock investments during the year.

The valuation of investments declined by 15.0 per cent. during the year against the opening value as at 31 December 2007, compared to a decrease in the FTSE All-Share index of 32.8 per cent. over the same period.

Following the successful sale of the investment in Grosvenor Health Limited at the end of May, the Board decided to pay a third dividend for the year to 31 December 2008, amounting to 4.0 pence per share. This was paid on 30 December 2008 and brought the total dividends paid for the year to 12.0 pence per share. It is intended, however, that this third dividend will replace the first dividend for the year to 31 December 2009. Thus shareholders will only receive one dividend in the current financial year to 31 December 2009, which is likely to be paid in September 2009 following the announcement of the Half-yearly Financial Report.

Discount management and 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 VCT's interest, including the maintenance of sufficient resources for the investment in existing and new investee companies and the continued payment of dividends to shareholders. Given the high level of volatility apparent in

Chairman's Statement (continued)

all markets, the discount to net asset value per share at which shares are bought back will widen from that which has applied historically.

Proposed change to the Company's Articles of Association

At the forthcoming Annual General Meeting, special resolutions will be proposed to adopt new Articles of Association in order to update the Company's existing Articles of Association (the "Current Articles") and to take account of the changes that have been brought into force by the Companies Act 2006. Whilst the Company will be incorporating the new provisions of the Companies Act 2006 in relation to electronic and/or website communications, it does not yet intend to communicate with its shareholders via such means. A summary of the principal changes that are proposed to be made to the Current Articles by resolutions 10 and 11 is contained in the Directors' Report and Business Review on page 23.

Change of Manager and name change

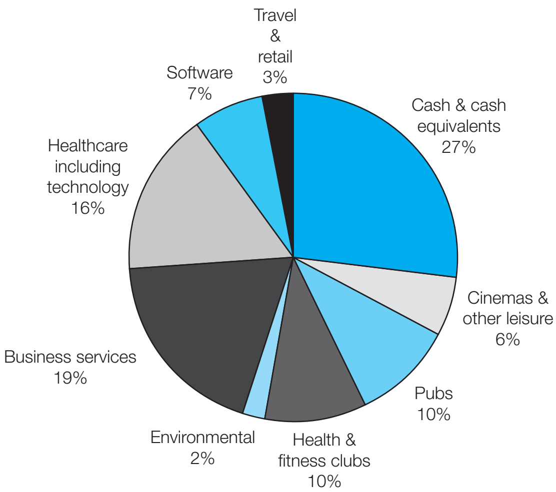
The Board supported the Manager in the acquisition of the business of Close Ventures Limited ("Close Ventures") by Albion Ventures LLP ("Albion Ventures") from Close Brothers Group plc ("Close") on 23 January 2009. Albion Ventures has been formed by the executive directors of Close Ventures. Meanwhile Close will continue to have an investment in the business. The Company's management contract has been novated from Close Ventures to Albion Ventures under exactly the same terms as the existing agreement. The investment approach of Albion Ventures and the investment policy of the Company are also unchanged, with a continued emphasis on building up a broad portfolio of investee companies normally with no external bank borrowings and the maintenance of a regular dividend yield. As a result of this change, the Company Secretary has changed to Albion Ventures LLP. Following the vote in favour of the resolution at the General Meeting on 24 March 2009, the Company has changed its name to Albion Development VCT PLC.

Geoffrey Vero
Chairman — 16 April 2009

Manager's Report

An analysis of Albion Development VCT PLC's investment portfolio as at 31 December 2008 is shown below. Care has been taken to create a spread across a broad number of sectors, with those that are asset-based and consumer facing, such as pubs, health and fitness clubs and cinemas, being balanced by higher growth businesses in the business services, healthcare, IT and environmental sectors.

Split of portfolio valuation by sector as at 31 December 2008



Source: Albion Ventures LLP

New investments

During the year the VCT invested £1.9 million in new qualifying investments. New investments include £320,000 in Bravo Inns II Limited, an owner and operator of pubs in the North West area of England; £216,000 in Vibrant Energy Surveys Limited, a provider of energy saving certificates; £675,000 in Droxford Hospital Limited, a low security mental health hospital in the process of being developed; £140,000 in Opta Sports Data Limited, a provider of Europe-wide sporting statistics and information to a broad variety of media; £270,000 in Prime Care Holdings Limited, a domiciliary care operator based on the South Coast; and finally £240,000 in Ivivo Limited, a developer of medical imaging software. In addition, the Company invested a total of £1.2 million in ten existing investee companies, mainly in the IT and medical technology sectors. These tended to be in promising businesses, but where growth had been slower than anticipated. The cumulative new investments represent 16.2 per cent. of the opening portfolio valuation (adjusted for exits).

As noted in the Chairman's Statement, the sale of Grosvenor Health Limited during the year generated strong profits for your Company, equivalent to an annualised return of 36.0 per cent. and net disposal proceeds of £6.2 million.

Portfolio review

The investment portfolio declined in value by 15.0 per cent. during the year against the opening valuation as at 31 December 2007, mainly as a result of unrealised write downs reflecting the current difficult trading environment. This fall is compared to a decrease in the FTSE All-Share index of 32.8 per cent. over the same period. Investments in the pub sector have been devalued as the sector continues to struggle while in other areas, in particular IT services, we have seen encouraging profits. The main areas of decline, other than the pub sector, were Evolutions Television Limited, where following strong performance last year, revenues came under pressure due to the general downturn in the television market; the Weybridge and Kensington health and fitness clubs, where despite continued growth in membership in affluent areas, valuations were affected by the general downturn in the commercial property sector; and Peakdale Molecular Limited, a provider of research and chemical compounds to major pharmaceutical companies, which is experiencing difficult trading conditions and a fall in its property value.

We are working closely with our portfolio companies as they take proactive measures to limit the impact of the downturn. It is our intention going forward to concentrate particularly on the healthcare and environmental sectors as we believe that these are likely to provide a greater degree of resilience during the current recession.

Patrick Reeve

Albion Ventures LLP 16 April 2009

Manager

The Board of Directors

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

Geoffrey Vero (62), FCA (appointed 2 July 2007), has spent much of his career in venture capital, serving as a director of Causeway Capital Limited and ABN Amro Private Equity (UK) Limited which invested in small and medium sized unquoted businesses. He is a non-executive director of Crown Place VCT PLC (a venture capital trust managed by Albion Ventures LLP) and Numis Corporation Plc, and non-executive Chairman of EPE Special Opportunities Plc.

David Pinckney (68), FCA, MA (appointed 8 December 1998), was with Peat Marwick Mitchell & Co. (now KPMG) in London from 1963 to 1968, and from 1969 to 1983 in France. He became a partner in 1975 and Senior Audit Partner in 1978. He was then Managing Director of Wrightson Wood Financial Services Limited, where his work involved the provision of advice to companies seeking venture capital. In 1987 he joined Thornton Management Limited, an international equity fund management group with a proportion of funds invested in smaller unquoted companies, first as Group Finance Director and subsequently as Joint Managing Director. From 1998 he was Chief Operating Officer – Far East, and then Vice Chairman, of AXA Investment Managers, the investment management arm of the AXA Group until he retired in December 2003. He is Chairman of Rutley European Property Limited, the AIM quoted Syndicate Asset Management PLC, and Ventus VCT PLC.

Jonathan Thornton (62), MA, MBA, FCA (appointed 8 December 1998), has extensive experience in the management of unquoted investments. He was a director of Close Brothers Group plc from 1984 to 1998 and was responsible for establishing Close Brothers Private Equity LLP, the private equity fund management arm of Close Brothers Group plc. Prior to this he worked for 3i plc and Cinven (two of the largest UK investors in unquoted companies). Over the past 25 years he has been a non-executive director of a number of smaller unquoted companies which have raised institutional capital and he is a director of Albion Venture Capital Trust PLC (a venture capital trust also managed by Albion Ventures LLP), and is a member of the Albion Ventures LLP Investment Committee.

Andrew Phillipps (40), PhD, MBA (appointed 30 October 2007). After being awarded an honorary fellowship in materials science at Cambridge, he worked at Cookson Group and BOC Group in product development, before co-founding Active Hotels, an online hotels reservation business in 1999. As Chief Executive, he grew the business to become a European market leader, before selling it to Priceline Inc. for $161 million in 2004. He is currently an investor in, and director of, a number of private companies.

The Manager

Albion Ventures LLP (formerly Close Ventures Limited), is authorised and regulated by the Financial Services Authority and is the Manager of Albion Development VCT PLC. In addition to Albion Development VCT PLC, it manages a further six venture capital trusts, and has currently total funds under management of approximately £200 million.

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

Patrick Reeve (48), MA, ACA, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Albion Ventures LLP (formerly Close Ventures Limited) with the launch of Albion Venture Capital Trust PLC (formerly Close Brothers Venture Capital Trust PLC) in the spring of 1996. He is director of Albion Income & Growth VCT PLC, Albion Protected VCT PLC, Albion Enterprise VCT PLC and Albion Technology & General VCT PLC, all managed by Albion Ventures LLP. He is also a director of Healthcare & Leisure Property Fund PLC, for whom Albion Ventures LLP acts as an investment advisor.

Isabel Dolan (44), BSc (Hons), ACA, MBA, is Operations Partner of Albion Ventures LLP having previously been Finance Director for a number of unquoted companies. From 1993-1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997-2001 she was at 3i plc, latterly as a Portfolio Director. She joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Dr Andrew Elder (38), MA, FRCS. After qualifying as a surgeon he practised for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001, specialising in healthcare strategy. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Will Fraser-Allen (38), BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2001.

Emil Gigov (39), BA (Hons), ACA, qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2000.

David Gudgin (36), BSc (Hons), ACMA, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US$80 million. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Ed Lascelles (33), BA (Hons), joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2004.

Henry Stanford (42), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of Close Brothers Group plc in 1992. He transferred to Albion Ventures LLP (formerly Close Ventures Limited) in 1998 to concentrate on VCT investment.

Robert Whitby-Smith (34), BA (Hons), MSI, ACA, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Michael Kaplan (32), BA, MBA. After graduating from the University of Washington in 1999 with a BA in International Finance, he joined Marakon Associates as an Analyst. In 2000, he became the Chief Financial Officer of Widevine Technologies, a security software company based in Seattle. After graduating with his MBA from INSEAD in 2004, he joined the Boston Consulting Group focusing on the retail and financial services industries. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2007.

Marco Yu (31), MPhil, MA, MRICS, qualified as a chartered surveyor in 2004. From 2002 to 2005, he worked at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005, where he advised senior lenders on large capital projects. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2007.

Portfolio of Investments

	% voting rights	% voting rights of AVL** managed companies	As at 31 December 2008 Investment at cost £'000	As at 31 December 2008 Cumulative movement in carrying/fair value £'000	As at 31 December 2008 Total carrying/fair value £'000	As at 31 December 2007 Investment at cost £'000	As at 31 December 2007 Cumulative movement in carrying/fair value £'000	As at 31 December 2007 Total carrying/fair value £'000	Change in carrying/fair value for the year net of investments/exits in the year £'000
Qualifying investments									
Evolutions Television Limited	23.7%	49.9%	3,374	(135)	3,239	3,374	153	3,527	(288)
The Weybridge Club Limited	9.4%	50.0%	1,520	(172)	1,348	1,520	113	1,633	(285)
Mears Group Plc*	0.6%	0.6%	1,600	(407)	1,193	1,600	(553)	1,047	146
Peakdale Molecular Limited	9.2%	15.5%	1,380	(490)	890	1,464	–	1,464	(490)
Blackbay Limited	7.0%	32.9%	814	61	875	740	63	803	(2)
Chichester Holdings Limited	10.6%	50.0%	700	100	800	700	161	861	(61)
Kensington Health Clubs Limited	5.1%	50.0%	1,124	(369)	755	1,100	17	1,117	(386)
CS (Greenwich) Limited	15.5%	50.0%	850	(161)	689	850	(66)	784	(95)
Droxford Hospital Limited	12.6%	50.0%	675	5	680	–	–	–	5
Consolidated PR Limited	12.8%	25.5%	779	(159)	620	888	(84)	804	(75)
The Q Garden Company Limited	33.3%	49.8%	1,198	(698)	500	1,031	(436)	595	(145)
Tower Bridge Health Clubs Limited	4.5%	50.0%	493	(27)	466	493	64	557	(92)
Dexela Limited	5.9%	37.3%	415	8	423	185	8	193	–
Welland Inns VCT Limited	5.7%	50.0%	572	(207)	365	530	41	571	(248)
CS (Brixton) Limited	8.4%	50.0%	325	35	360	325	16	341	19
Bravo Inns II Limited	4.0%	50.0%	320	(11)	309	–	–	–	(11)
Helveta Limited	2.9%	23.4%	291	8	299	230	(44)	186	53
RFI Global Services Limited	2.1%	15.0%	459	(183)	276	459	(321)	138	138
Prime Care Holdings Limited	6.5%	33.9%	270	4	274	–	–	–	4
The Charnwood Pub Company Limited	4.7%	50.0%	280	(23)	257	280	(64)	216	41
Ivivo Limited	7.2%	45.0%	240	2	242	–	–	–	2
Xceleron Limited	3.9%	45.1%	340	(106)	234	288	–	288	(106)
Rostima Limited	3.6%	29.4%	285	(52)	233	200	(61)	139	10
Lowcosttravelgroup Limited	3.1%	13.9%	290	(64)	226	290	20	310	(84)
The Dunedin Pub Company VCT Limited	6.2%	50.0%	310	(94)	216	310	(15)	295	(79)
GB Pub Company VCT Limited	9.1%	50.0%	401	(190)	211	378	(109)	269	(80)
Mi-Pay Limited	3.3%	32.8%	260	(55)	205	180	–	180	(55)
Premier Leisure (Suffolk) Limited	5.9%	45.0%	480	(294)	186	480	(113)	367	(181)
Bravo Inns Limited	2.6%	50.0%	230	(65)	165	230	(1)	229	(64)
Opta Sports Data Limited	1.4%	15.3%	140	8	148	–	–	–	8
Oxsensis Limited	1.6%	22.3%	145	–	145	145	–	145	–
Novello Pub Limited	8.2%	50.0%	233	(108)	125	233	(82)	151	(26)
CS (Exeter) Limited	8.3%	45.0%	125	(28)	97	125	(18)	107	(10)
Point 35 Microstructures Limited	1.6%	28.1%	124	(39)	85	124	–	124	(40)
City Screen (Liverpool) Limited	4.5%	50.0%	50	15	65	50	29	79	(14)
Process Systems Enterprise Limited	0.7%	11.9%	95	(32)	63	95	–	95	(36)
Vibrant Energy Surveys Limited	2.8%	23.2%	217	(157)	60	–	–	–	(155)
Riverbourne Health Club Limited	5.0%	50.0%	100	(49)	51	100	3	103	(52)
CS (Norwich) Limited	3.1%	50.0%	50	(15)	35	50	–	50	(15)
Resorthoppa Limited	3.1%	45.0%	145	(123)	22	145	–	145	(123)
Pelican Inn Limited	9.4%	50.0%	43	(41)	2	359	(127)	232	(3)
Grosvenor Health Limited	n/a	n/a	–	–	–	2,225	2,908	5,133	–
Total qualifying investments			**21,742**	**(4,308)**	**17,434**	**21,776**	**1,502**	**23,278**	**(2,875)**

* AIM quoted investments

** Albion Ventures LLP

Portfolio of Investments (continued)

	% voting rights	% voting rights of AVL* managed companies	As at 31 December 2008 Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	As at 31 December 2007 Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	Change in carrying/ fair value for the year net of invesments/ exits in the year £'000
Non-qualifying investments									
Smiles Pub Company Limited	48.4%	100.0%	977	(164)	813	977	(33)	944	(131)
Consolidated PR Limited	2.2%	25.5%	34	9	43	–	–	–	9
Smiles Brewing Company Limited	n/a	n/a	–	–	–	155	(155)	–	–
Total non-qualifying investments			**1,011**	**(155)**	**856**	**1,132**	**(188)**	**944**	**(122)**
Total fixed asset investments			**22,753**	**(4,463)**	**18,290**	**22,908**	**1,314**	**24,222**	**(2,997)**

	As at 31 December 2008 Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	As at 31 December 2007 Investment at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000	Change in carrying/ fair value for the year net of invesments/ exits in the year £'000
Current asset investment							
Citigroup Floating Rate Note 26 March 2009	3,048	(34)	3,014	2,999	5	3,004	(38)
Total current asset investments	**3,048**	**(34)**	**3,014**	**2,999**	**5**	**3,004**	**(38)**

** Albion Ventures LLP

Portfolio Companies

The top ten qualifying investments by total aggregate value of equity and loan stock are as follows (unquoted loan stock held by following investments are classified as loans and receivables in accordance with FRS 26 and are carried at amortised cost using the effective interest rate):

Evolutions Television Limited

The company is a television post production business providing post production services, including video and sound editing and automation, to a broad range of production companies. It operates from a freehold building in Oxford Street, London and three leasehold premises nearby. In 2007 it was voted "Television Post Production Company of the Year".

Latest audited results – Year to 30 June 2008

	£'000
Turnover	9,821
Profit before interest	704
Net assets	1,328
Basis of valuation:	Net asset value
Website:	www.evolutions.tv

Investment information

	£'000
Income recognised in the year	615
Equity valuation	–
Loan stock valuation	3,239
Voting rights	23.7%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 49.9 per cent.

The Weybridge Club Limited

The company bought a 30 acre freehold site near to the centre of Weybridge, Surrey, which it developed into a premium health and fitness club. The club opened in May 2007 and membership is currently building up well.

Latest audited results – Year to 31 August 2007
As a small company, The Weybridge Club Limited is exempt from filing full accounts.

	£'000
Net assets	1,561
Basis of valuation:	Net asset value
Website:	www.theweybridgeclub.com

Investment information

	£'000
Income recognised in the year	61
Equity valuation	135
Loan stock valuation	1,213
Voting rights	9.4%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Portfolio Companies (continued)

Mears Group Plc

Mears is the leading social housing repairs and maintenance provider in the UK and has a growing presence in the domiciliary care market. The company is listed on the AIM market.

Latest preliminary results – Year to 31 December 2007

	£'000
Turnover	420,376
Profit before interest	17,429
Net assets	180,645
Basis of valuation:	Bid price
Website:	www.mearsgroup.co.uk

Investment information

	£'000
Income recognised in the year	19
Equity valuation	1,193
Voting rights	0.6%

No other funds managed by Albion Ventures LLP have invested in this company.

Peakdale Molecular Limited

The company is principally in research, processing and supply of chemical compounds to the major pharmaceutical companies. It operates from a substantial freehold site in Chapel-en-le-Frith, Derbyshire.

Latest audited results – Year to 31 March 2008

	£'000
Turnover	5,308
Profit before interest	582
Net assets	4,065
Basis of valuation:	Recent investment price
Website:	www.peakdale.co.uk

Investment information

	£'000
Income recognised in the year	58
Equity valuation	148
Loan stock valuation	742
Voting rights	9.2%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 15.5 per cent.

Blackbay Limited

The company provides mobile data solutions for the logistics and field service sectors.

Latest audited results – Year to 31 December 2007
As a small company, Blackbay Limited is exempt from filing full accounts.

	£'000
Net liabilities	780
Basis of valuation:	Earnings multiple

Investment information

	£'000
Income recognised in the year	93
Equity valuation	212
Loan stock valuation	663
Voting rights	7.0%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 32.9 per cent.

Portfolio Companies (continued)

Chichester Holdings Limited

The company is a distributor of beverages to airline, cruise and other travel industry customers.

Latest audited results – Year to 30 June 2008

	£'000
Turnover	24,774
Profit before interest	1,261
Net assets	1,002
Basis of valuation:	Earnings multiple
Website:	www.compass-group.co.uk

Investment information

	£'000
Income recognised in the year	101
Equity valuation	449
Loan stock valuation	351
Voting rights	10.6%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Kensington Health Clubs Limited

This company has developed a 29,000 square foot health and fitness club on a 999 year lease in West London which opened in December 2007. The most recent membership numbers are approximately 2,400 members.

Latest audited results - Year to 31 December 2007 (abbreviated accounts)

	£'000
Net assets	2,300
Basis of valuation:	Net asset value
Website:	www.thirtysevendegrees.co.uk/olympia

Investment information

	£'000
Income recognised in the year	68
Equity valuation	–
Loan stock valuation	755
Voting rights	5.1%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

CS (Greenwich) Limited

This company operates the five screen Picture House cinema in Greenwich.

Latest audited results – Year to 31 December 2007 (abbreviated accounts)

	£'000
Net assets	800
Basis of valuation:	Net asset value
Website:	www.picturehouses.co.uk

Investment information

	£'000
Income recognised in the year	79
Equity valuation	82
Loan stock valuation	607
Voting rights	15.5%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Portfolio Companies (continued)

Droxford Hospital Limited

The company was formed in 2008 to develop a new low security mental hospital.

Latest audited results
As a new company, Droxford Hospital Limited has not yet filed statutory accounts.

Basis of valuation:	Cost reviewed for impairment

Investment information

	£'000
Income recognised in the year	5
Equity valuation	79
Loan stock valuation	601
Voting rights	12.6%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Consolidated PR Limited

Consolidated PR Limited is a management buy-out of an established public relations agency, formed in 1991, with a broad range of 'blue chip' clients.

Latest audited results – Year to 29 February 2008

	£'000
Turnover	5,682
Profit before interest	127
Net assets	2,471
Basis of valuation:	Earnings multiple
Website:	www.consolidatedpr.com

Investment information

	£'000
Income recognised in the year	48
Equity	249
Loan stock	414
Voting rights	10.6%

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 25.5 per cent.

Net assets of investee companies where a recent third party valuation has taken place, may have a higher valuation in Albion Development VCT PLC accounts than in their own. This is where the investee company does not have a policy of revaluing their fixed assets.

Directors' Report and Business Review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Development VCT PLC (the "Company") for the year ended 31 December 2008.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ('HMRC') as a venture capital trust in accordance with Part 6 of the Income Taxes Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 December 2008 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

The Company is not a close company for taxation purposes and is listed on The London Stock Exchange.

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

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 16.

All shares rank pari passu for dividend and voting rights and each share is entitled to one vote. There are no current restrictions on the transfer of securities or on voting rights known to the Company.

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on www.albion-ventures.co.uk under the 'Our Funds' section.

Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of property based investments that provide a strong income stream, combined with investment in a smaller number of higher risk companies with greater growth prospects. In neither category would investee companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of qualifying investments by cost will comprise loan stock secured with a first charge on the investee company's assets.

Venture Capital Trust status

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

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

(2) At least 70 per cent. of the value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';

(3) At least 30 per cent. by value of its total qualifying holdings must have been represented throughout the period by holdings of 'eligible shares';

(4) At no time in the period must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by value of its investments;

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

(6) Eligible shares must comprise at least 10 per cent. by value of the total of the shares and securities that the Company holds in any one investee company; and

(7) The Company's shares, throughout the period must have been listed in the Official List of the Stock Exchange.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any one investee company. The tests have been carried out and independently reviewed for the year ended 31 December 2008. The Company has complied with all tests and continues to do so.

'Qualifying holdings', for Albion Development VCT PLC include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture, and operating or managing hotels or residential care homes. Details of the sectors in which the Company is invested in can be found in the pie charts on page 8 of the Manager's Report.

Directors' Report and Business Review (continued)

Investee company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter and there is an annual investment limit of £1 million in each company.

Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 December 2008, the Company's maximum exposure was £2,543,000 and its actual short term and long term gearing at this date was £nil. The Directors do not currently have any intention to utilise long term gearing.

Current portfolio sector allocation

The pie chart on page 8 of the Manager's Report graphically represents the split of the portfolio valuation by industrial or commercial sector as at 31 December 2008. Details of the principal investments made by the Company are shown in the Portfolio of Investments section on page 11. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 6. Details of significant events which have occurred since the end of the financial year are listed in note 21 and the Manager's Report.

Review of business and future changes

A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 6. Details of significant events which occurred since the end of the financial year are listed in note 21 and details of related party transactions are shown in note 23.

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

Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Services Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 21.

Results and dividends

	Ordinary shares £'000
Net revenue return for the year ended 31 December 2008	1,187
Revenue dividend of 1.25p per share paid on 16 May 2008	(383)
Revenue dividend of 0.75p per share paid on 3 October 2008	(228)
Revenue dividend of 2.50p per share paid on 30 December 2008	(748)
Transferred to revenue reserve	(172)
Net capital loss for the year ended 31 December 2008	(2,493)
Capital dividend of 1.25p per share paid on 16 May 2008	(383)
Capital dividend of 4.75p per share paid on 3 October 2008	(1,440)
Capital dividend of 1.50p per share paid on 30 December 2008	(450)
Transferred to realised and unrealised capital reserve	(4,766)
Net assets as at 31 December 2008	25,433
Net asset value per share as at 31 December 2008	84.8p

The Company paid dividends of 12.0 pence per share (2007: 5.0 pence) during the year ended 31 December 2008. It is intended that the third dividend of 4.0 pence per share paid on 30 December 2008 will replace the first dividend for the year ended 31 December 2009.

As shown in the Company's Income Statement on page 32 of the financial statements, the total investment income has fallen slightly to £1,978,000 (2007: £2,206,000). The revenue return to equity holders has fallen to £1,187,000 (2007: £1,491,000) due to a lower return on loan stock investments during the year.

The capital return for the year was a loss of £2,493,000 (2007: profit £1,873,000). Losses in the year are mainly attributable to the unrealised devaluations in the Company's investment portfolio due to the current economic climate and the capitalisation of management fees, offset by the recovery of capitalised historic VAT.

The total return per share was a loss of 4.3 pence per share (2007: profit 10.8 pence per share).

Directors' Report and Business Review (continued)

The Balance Sheet on page 33 of the financial statements shows that the net asset value per share has decreased over the last year to 84.8 pence per share (2007: 100.9 pence per share). The fall in net asset value can mainly be attributed to the increase in dividends paid in the year and the trading factors described above.

Cash flow for the business has been negative for the year, reflecting the high level of dividends paid and the purchase of own shares for treasury.

Key Performance Indicators

The graph on page 4 shows Albion Development VCT PLC's net asset value total return growth against the FTSE All-Share Index total return growth, in both instances with dividends reinvested, since first allotment. Details on the performance of the net asset value and return per share for the year are shown above.

The total expense ratio for the year to 31 December 2008 was 2.1 per cent. (2007: 3.3 per cent.). This reduction results from the one-off recognition of recoverable VAT due on historic management fees.

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current policy can be found on page 6 of the Chairman's Statement.

The Company continues to comply with HMRC rules in order to maintain its status under Venture Capital Trust legislation as highlighted on page 17.

In the Directors' view, there are no other non-financial performance indicators materially relevant to the business.

Principal risks and uncertainties

In addition to the current economic risks outlined in the Chairman's Statement, the Board considers that the Company faces the following major risks and uncertainties:

1. Investment risk

   This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders, and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.

   To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and their strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and external investment professionals. The Manager also invites comments from all non-executive Directors on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.

2. Venture Capital Trust approval risk

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

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

3. 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 quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditors, lawyers and other professional bodies.

Directors' Report and Business Review (continued)

4. Internal control risk

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

   The Audit Committee will meet with the Manager's new internal auditors, Littlejohn, at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. In the past year the Board has met with the Head of Internal Audit of Close Brothers Group plc on a similar basis. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 28.

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

5. Reliance upon third parties risk

   The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions. There are provisions within the Management Agreement for the change of Manager under certain circumstances (for more detail, see the Management Agreement paragraph on page 21). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.

6. Financial risks

   By its nature, as a venture capital trust, the Company is exposed to investment risk (which comprises investment price risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 20 to the financial statements.

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

Environment

The management and administration of Albion Development VCT PLC is undertaken by the Manager. Albion Ventures LLP recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption as will be shown in the financial statements of Albion Ventures LLP.

Employees

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

Directors

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

	Year ended 31 December 2008	**Year ended 31 December 2007**
Jonathan Thornton	68,902	46,787
David Pinckney	5,000	5,000
Andrew Phillipps	123,000	–
Geoffrey Vero	12,000	–

There have been no further changes in the holdings of the Directors between 31 December 2008 and the date of this report.

No Director has a service contract with the Company.

All Directors are members of the Audit Committee of which David Pinckney is Chairman.

No options over the share capital, long term incentive or retirement benefits of the Company have been granted to Directors personally, nor does the Company make a contribution to any pension scheme on behalf of the Directors.

Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code of Corporate Governance. The Articles of Association provide for the retirement of one-third of all Directors by rotation at each Annual General Meeting, in addition to the retirement of any Directors appointed to fill a vacancy since the last Annual General Meeting. At the forthcoming Annual General Meeting, David Pinckney and Jonathan Thornton, will retire and offer themselves for re-election.

Directors' Report and Business Review (continued)

David Pinckney and Jonathan Thornton have been Directors of the Company for more than nine years. The Board does not consider that their length of service reduces their ability to act independently of the Manager.

Management Agreement

The Company and Close Ventures Limited entered into a Management Agreement dated 24 September 2002, which was novated to Albion Ventures LLP on 23 January 2009. The Management Agreement may be terminated by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. 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 2.25 per cent. of the net asset value of the Company. The fee is payable quarterly in arrears.

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

Management Performance Incentive

The Management Performance Incentive structure was approved at the Extraordinary General Meeting on 29 May 2007. This structure sets a minimum target level, comprising all dividends and net asset value per share, at 6.5 pence per share per annum. The target minimum return is cumulative from 1 January 2007 (which used the pro forma net asset value of 98.7 pence per share) and to the extent that the minimum return is not reached in one year, the shortfall needs to be made up in following years. The incentive fee is set at 20 per cent. of the excess return achieved i.e. 20 per cent. on returns over 6.5 pence per annum.

There is a £52,680 performance fee payable to Albion Ventures LLP in respect of prior years which has arisen due to the refund of historic VAT as detailed in note 6. This has been offset against the historic VAT recoverable within the Income Statement.

Evaluation of the Manager

The Board has evaluated the performance of the Manager based on the returns generated by the Company, the maintainance of VCT status and the long term prospects of current investments, as well as benchmarking the performance of the Manager to other service providers. The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Valuation of investments

As described in note 2 of the financial statements, the unquoted equity investments held by the Company are valued at fair value through profit or loss in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCV guidelines"). These Guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. Unquoted investments are valued on the basis of forward looking estimates and judgements about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgements the valuation takes into account all known material facts up to the date of approval of the financial statements by the Board. Unquoted loan stock is valued at amortised cost.

Investment and co-investment

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

Auditors

During the year, as noted in the 2007 Annual Report, the Board changed auditors from Deloitte LLP to PKF (UK) LLP. The current auditors, PKF (UK) LLP have indicated their willingness to continue as auditors to Albion Development VCT PLC. A resolution to re-appoint PKF (UK) LLP as auditors will be proposed at the Annual General Meeting on 28 May 2009.

Substantial interests

As at 31 December 2008 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued share capital, and there have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 December 2008, and to the date of this report.

Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2008 (2007: nil).

Directors' Report and Business Review (continued)

Disclosure of information to auditors
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 auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This disclosure is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Statement of Directors' Responsibilities for the preparation of company financial statements
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing and Disclosure and Transparency Rules of the Financial Services Authority.

Company law and the Disclosure and Transparency Rules require the Directors to prepare financial statements for each financial year. Under these regulations, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Income Statement of the Company for the year.

The Directors confirm, to the best of their knowledge:

- that the financial statements are prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the management report included within the Chairman's Statement, Manager's Report and Directors' Report and Business Review, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

The Directors of the Company as at 16 April 2009 are shown in the Board of Directors section on page 9. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Annual General Meeting
The Annual General Meeting will be held at The Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, London EC2M 4TH at 2.30 pm on 28 May 2009. 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', 'withheld' and 'discretionary'. 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-ventures.co.uk within the 'Our Funds' section by clicking on Albion Development VCT PLC.

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 Acts or the Listing Rules of the Financial Services Authority.

Directors' Report and Business Review (continued)

Power to allot shares

Resolution number 7 will request the authority to allot up to an aggregate nominal amount of £1,499,688 representing approximately 10 per cent. of the issued Ordinary share capital of the Company (excluding shares held in treasury) as at 16 April 2009.

The Directors do not currently have any intention to allot shares, with the exception of the Dividend Reinvestment Scheme and reissuing treasury shares where it is in the Company's interest to do so. The Company currently holds 2,619,715 Ordinary treasury shares representing 8.7 per cent. of the total Ordinary share capital in issue (excluding shares held in treasury) as at the date of this Report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2008. The authority sought at the Annual General Meeting will expire on 28 November 2010.

Disapplication of pre-emption rights

Special resolution number 8 will request authority for Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to up to £749,844 of nominal capital representing 5 per cent. of the issued Ordinary share capital of the Company as at the date of this Report. The authority sought at the Annual General Meeting will expire on 28 November 2010. Members will note that this resolution also applies to treasury shares.

Purchase of own shares

The Company is seeking authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in special resolution number 9.

The authority sought at the Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is the earlier.

Shares bought back under this authority may be cancelled and up to 10 per cent. can be held in treasury.

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

This resolution would renew the 2008 authority, which was in similar terms. During the financial year under review, the Company purchased 781,392 Ordinary shares of 50 pence each for treasury at an aggregate consideration of £662,000 including stamp duty representing 2.6 per cent. of the issued share capital (excluding shares held in treasury) of the Company as at 31 December 2008.

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 resolution number 9, as a special resolution, is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit Directors to sell treasury shares at a price not less than that at which they were purchased.

Changes to the Company's Articles of Association

Special resolution number 10, will be proposed to adopt new Articles of Association (the "**New Articles**") in order to update the Company's existing Articles of Association (the "**Current Articles**") and to implement changes that have been brought into force by the Companies Act 2006 (the "**Act**"). Special resolution number 11 will be proposed, to make further changes to the New Articles in respect of provisions of the Act that come into force on 1 October 2009 (the "**Revised Articles**").

The principal changes introduced in the New Articles and the Revised Articles are set out below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Act have not been noted below. A copy of the New Articles and the Revised Articles showing all the changes to the Current Articles will be available for inspection at the Company's Registered Office during normal business hours from the date of the Notice of the Annual General Meeting, until the conclusion of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting, until its conclusion.

Approach

Provisions in the Company's Current Articles which replicate provisions contained in the Act are, in the main, to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples of such provisions include the period of notice required to convene general meetings.

Directors' Report and Business Review (continued)

In addition, the opportunity has also been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles and to update the Current Articles to reflect market practice. The main changes made to reflect market practice are also detailed below.

Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision has been removed as the concept of extraordinary resolutions has not been retained under the Act.

Convening general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to the new provisions in the Act. The Act reduces the minimum notice period for all general meetings (other than an Annual General Meeting) to 14 clear days and the amendments to the Current Articles allows the Company to take advantage of such provision. The New Articles reflect the fact that the concept of extraordinary general meetings has been abolished in the Act and all meetings (other than an Annual General Meeting) are referred to as general meetings.

Proxies and votes of members

Under the Act proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only permitted to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the member. The time limits for the appointment of a proxy have been altered by the Act so that the articles cannot provide that they should be received more than 48 hours before the meeting, excluding days that are not working days. The New Articles reflect these new rules, as appropriate.

Multiple corporate representatives may be appointed but if they purport to exercise their rights in different ways, then the power is treated as not being exercised. There is currently uncertainty and differing views on the legal interpretation of section 323 of the Act. For this reason the provisions in the New Articles dealing with the rights of corporate representatives have been removed.

Electronic and web communications

Provisions of the Act, which came into force in January 2007, enable companies to communicate with members by electronic and/or website communications. A company will be allowed to send documents to a member in electronic form (subject to consent of the members) and by a website. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him or her by means of a website, and the Company must either have received a positive response or have no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either by post, or by other permitted means) when a relevant document or information is placed on the website and a member retains the right to request a hard copy version of the document or information. The New Articles allow communications to members in electronic form and, permit the Company to take advantage of the new provisions relating to website communications. These provisions have been brought right up to date to reflect the relevant provisions of the Act.

Whilst the Company will be incorporating the new provisions of the Act in relation to electronic and/or website communications, it does not yet intend to communicate with its shareholders via such means. If and at such time as the Company deems appropriate to communicate with shareholders via electronic and/or website communications, it shall write to shareholders regarding such use.

Directors' indemnities and funding of defence proceedings

The Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles now fully reflect these provisions of the Act.

The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is usually drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006, the objects clause and all other provisions which are currently contained in a

Directors' Report and Business Review (continued)

company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing a resolution to remove its objects clause, together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 11 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the current statement in the Company's Memorandum of Association regarding limited liability, the Revised Articles also contain an express statement regarding the limited liability of the members.

Authorised share capital and unissued shares
The Companies Act 2006 abolishes the requirement for a company to have authorised share capital and the Revised Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

Change of name
Currently a company can only change its name by special resolution. The Companies Act 2006 permits the articles to specify another method of changing the company's name e.g. by board resolution. To take advantage of this provision, the Revised Articles enable the Directors to pass a resolution to change the Company's name.

Authorise Directors to determine conditions and manner of redemption for redeemable shares
Currently if a company wishes to issue redeemable shares, the terms and manner of redemption must be set out in the articles. The Companies Act 2006 introduces a new power permitting the Directors to determine the terms, conditions and manner of redemption, provided they are authorised by the articles to do so. The Revised Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need members' authorisation to issue new shares in the usual way.

Remove provisions on sub-division, consolidation, purchase of own shares and reduction of share capital
Under the current law in force, a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as member authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require member authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the Revised Articles.

Seals
The Revised Articles provide an alternative option for execution of documents (other than share certificates). Under the Revised Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

Vacation of office by Directors
The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform.

Recommendation
Your Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole, and unanimously recommend that you vote in favour of all the proposed resolutions, as the Directors intend to do in respect of their own beneficial shareholdings.

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King's Arms Yard
London EC2R 7AF

16 April 2009

Statement of Corporate Governance

Background
The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code") and updated in June 2006.

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

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined 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.

Geoffrey Vero is the Chairman, and acts as non-executive Director to Crown Place VCT, a venture capital trust managed by Albion Ventures LLP.

Jonathan Thornton, acts as non-executive Director to Albion Venture Capital Trust PLC, a venture capital trust managed by Albion Ventures LLP, and is a member of the Albion Ventures LLP Investment Committee.

David Pinckney and Andrew Phillipps are considered independent Directors.

Under the Listing Rules, with effect from October 2010 the Company will be required to have an independent Chairman and a majority of independent Directors where, to be independent, a Director cannot serve on the Board of more than one Company managed by the Manager. The Board is keeping this under review and will report on this in future periods.

David Pinckney and Jonathan Thornton have been Directors of the Company for more than nine years. The Board does not consider that their length of service reduces their ability to act independently of the Manager.

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 9. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met five times during 2008 as part of its regular programme of Board meetings. All of the Directors attended each meeting, except for Andrew Phillipps who was unable to attend one meeting. A sub-committee of the Board comprising Geoffrey Vero, Jonathan Thornton and David Pinckney met twice during the year to allot shares under the Dividend Reinvestment Scheme, to authorise conflicts of interest and to agree the novation of the Management Agreement to Albion Ventures LLP (which had been agreed in principle at a full Board meetings previously).

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,

Statement of Corporate Governance (continued)

accounting, secretarial and administrative services. The main issues reserved for the Board include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

Committees' and Directors' performance evaluation

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

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

The Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company. The Board considers any skills gaps in existence and takes action to remedy this where necessary.

Directors are offered training, both at the time of joining the Board and on other occasions where required. The Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

As a result of the performance evaluation process, David Pinckney and Jonathan Thornton are considered to be effective Directors and demonstrate strong commitment to the role. The Board believes it to be in the best interest of the Company to propose that David Pinckney and Jonathan Thornton be re-elected at the forthcoming Annual General Meeting.

Remuneration committee

Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules 12.43A (a), 12.43A (b) and 12.43A (c) as they relate to Combined Code Provisions B.1 to B.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

Audit Committee

The Audit Committee consists of all Directors. David Pinckney is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2008; all members attended.

Written terms of reference have been constituted for the Audit Committee, these are as follows:

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditors annually, approving their appointment, reappointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- developing and implementing a policy for the supply of non-audit services by the external auditors;
- meeting with the internal auditors of the Manager when appropriate;
- ensuring that all Directors of the Company, and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee, and that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and reviewing the performance of the Manager and all matters arising under the Management Agreement.

Statement of Corporate Governance (continued)

During the year under review, the Committee discharged the responsibilities described above. Its activities included:

- formally reviewing the Annual Report and Financial Statements, the Half-yearly Financial Report, the Interim Management Statements, and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of the Manager;
- meeting with the external auditors and reviewing their findings;
- undertaking a tender process for the provision of audit services to the Company, evaluating the tenders, and recommending the appointment of PKF (UK) LLP to the Board; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

Nomination Committee

The Nomination Committee consists of all Directors, with Geoffrey Vero as Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee did not meet during 2008 and will meet when it is appropriate for it to do so.

It is the policy of the Company that all of the Directors are nominated for re-election every three years and that Directors who have serviced the Company for nine years are subject to annual re-election. Having served for nine years, David Pinckney and Jonathan Thornton will retire and be proposed for re-election at the forthcoming Annual General Meeting on 28 May 2009. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting

Internal Control

In accordance with principle C.2 of the Combined Code, the Board has established a process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Board has 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.

During the year, as the Board has delegated the investment management and administration to Albion Ventures LLP (formerly Close Ventures Limited), the Board felt that it is not necessary to have its own internal audit function. Instead, the Board had access to the internal audit department of Close Brothers Group plc, which undertook periodic examination of the business processes and controls environment at Albion Ventures LLP, and ensured that any recommendations to implement improvements in controls are carried out. Since the year end, Albion Ventures LLP have appointed Littlejohn as their internal auditors. Littlejohn will report formally to the Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going concern

The Board's assessment of liquidity risk and details of the Companies policies for managing its capital and financial risks are shown in note 20. The Company's business activities, together with details of its performance are shown in the Directors' Report and Business Review. The Company has significant cash and liquid resources. The portfolio of investments is well diversified in terms of sector, and the major cash outflows of the Company (namely investment, buy-backs and dividends) are within the Company's control. Accordingly, after making reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for

Statement of Corporate Governance (continued)

the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

Conflicts of interest

Directors disclose conflicts of interest annually, with any changes announced at the beginning of board meetings. A Director that has conflicts of interest, has two independent Directors authorise their conflicts. Procedures to disclose and authorise conflicts of interest have been adhered to throughout the year.

Relationships with shareholders

The Company's Annual General Meeting on 28 May 2009 will be used as an opportunity to communicate with investors. The Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting.

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

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

Shareholders are able to access the latest information on the Company via the Albion Ventures LLP website www.albion-ventures.co.uk under the "Our Funds" section.

Any enquiries relating to shareholdings and share certificates or changes to personal details can be directed to Capita Registrars Limited:

Tel: 0871 664 0300
Calls cost 10p per minute plus network extras
E-mail: ssd@capitaregistrars.com

Specific enquiries relating to the performance of the Fund should be directed to Albion Ventures LLP:

Tel: 020 7601 1850

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

Statement of compliance

With the exception of the requirement to have a Remuneration Committee and a Senior Independent Director, the Directors consider that the Company has complied throughout the year ended 31 December 2008 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 7a to the Companies Act 1985. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Director's remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

UNAUDITED INFORMATION

Remuneration Committee

Since the Company consists solely of non-executive Directors, a Remuneration Committee is not considered necessary.

Directors' remuneration policy

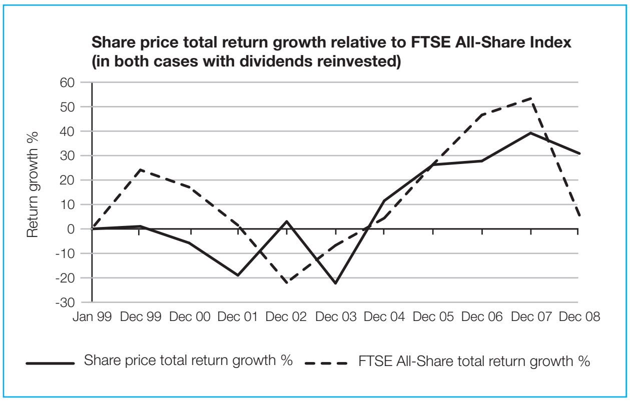
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company.

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

Performance graph

The graph that follows shows Albion Development VCT PLC's share price growth against the FTSE All-Share Index total return growth, with dividends reinvested since the launch of the shares. The Directors consider this to be the most appropriate benchmark. 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 below.



Source: Albion Ventures LLP

Service contracts

None of the Directors has a service contract with the Company.

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. At the forthcoming Annual General Meeting David Pinckney and Jonathan Thornton will retire and be proposed for re-election.

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:

	2008 Fees £'000	**2007 Fees £'000**
Jonathan Thornton	20.5	20.5
Andrew Phillipps	20.5	3.4
David Pinckney	20.5	20.5
Geoffrey Vero	20.5	10.3
Roderick Davidson	–	20.5
Frank Malcolm	–	10.3
	82.0	85.5

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, save for Jonathan Thornton whose services were provided by Jonathan Thornton Limited during the year, and Geoffrey Vero whose services were provided by The Vero Consultancy from 1 January 2008 to 29 February 2008.

In addition to Directors' remuneration, the Company pays annual premiums in respect of Directors' & Officers' Liability Insurance of £5,880.

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King's Arms Yard
London, EC2R 7AF

16 April 2009

Independent Auditors' Report to the Members of Albion Development VCT PLC

We have audited the Financial Statements of Albion Development VCT PLC for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Cash Flow Statement and the related notes. The Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's Statement, Manager's Report, Directors' Report and Business Review, the Statement of Corporate Governance, the unaudited part of the Directors' Remuneration Report and the other unaudited information in the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

PKF (UK) LLP
Registered Auditors
London, UK

16 April 2009

Income Statement

		Year ended 31 December 2008			Year ended 31 December 2007		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/profits on investments	3	–	(2,326)	(2,326)	–	2,304	2,304
Investment income	4	1,978	–	1,978	2,206	–	2,206
Investment management fees	5	(184)	(547)	(731)	(214)	(641)	(855)
Recovery of VAT	6	104	310	414	–	–	–
Other expenses	7	(224)	–	(224)	(209)	–	(209)
Return/(loss) on ordinary activities before tax		1,674	(2,563)	(889)	1,783	1,663	3,446
Tax (charge)/credit on ordinary activities	9	(487)	70	(417)	(292)	210	(82)
Return/(loss) attributable to shareholders		1,187	(2,493)	(1,306)	1,491	1,873	3,364
Basic and diluted return/(loss) per share (pence)*	11	3.9	(8.2)	(4.3)	4.8	6.0	10.8

* excluding treasury shares

The accompanying notes on pages 36 to 48 form an integral part of these Financial Statements.

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

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

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

The difference between the reported loss on ordinary activities before tax and the historical profit is due to the fair value movements on investments. As a result a Note on Historical Cost Profit and Losses has not been prepared.

Balance Sheet

	Note	31 December 2008 £'000	31 December 2007 £'000
Fixed asset investments			
Qualifying		17,434	23,278
Non-qualifying		856	944
Total fixed asset investments	12	18,290	24,222
Current Assets			
Trade and other debtors	14	708	133
Current asset investments	14	3,014	3,004
Cash at bank and in hand	18	3,790	3,991
		7,512	7,128
Creditors: amounts falling due within one year	15	(369)	(463)
Net current assets		7,143	6,665
Net assets		25,433	30,887
Capital and reserves			
Called up share capital	16	16,307	16,219
Share premium		3,266	3,208
Special reserve		9,223	9,223
Capital redemption reserve		1,183	1,183
Own treasury shares reserve		(2,272)	(1,610)
Realised capital reserve		2,459	1,474
Unrealised capital reserve		(5,622)	129
Revenue reserve		889	1,061
Total equity shareholders' funds		25,433	30,887
Net asset value per share (pence)*	17	84.8	100.9

* excluding treasury shares

The accompanying notes on pages 36 to 48 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 16 April 2009 and were signed on its behalf by

Geoffrey Vero
Chairman

Reconciliation of Movement in Shareholders' Funds

	Called-up share capital £'000	Share premium £'000	Special reserve* £'000	Capital redemp-tion reserve £'000	Own treasury share reserve* £'000	Realised capital reserve* £'000	Un-realised capital reserve £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2008	16,219	3,208	9,223	1,183	(1,610)	1,474	129	1,061	30,887
Net realised gains on investments in the year	–	–	–	–	–	3,425	–	–	3,425
Capitalised investment management fees	–	–	–	–	–	(547)	–	–	(547)
Tax relief on costs charged to capital						70	–	–	70
Recoverable VAT capitalised	–	–	–	–	–	310	–	–	310
Purchase of own treasury shares	–	–	–	–	(662)	–	–	–	(662)
Movement in unrealised appreciation	–	–	–	–	–	–	(5,751)	–	(5,751)
Issue of equity (net of costs)	88	58	–	–	–	–	–	–	146
Revenue return attributable to shareholders	–	–	–	–	–	–	–	1,187	1,187
Dividends paid	–	–	–	–	–	(2,273)	–	(1,359)	(3,632)
As at 31 December 2008	16,307	3,266	9,223	1,183	(2,272)	2,459	(5,622)	889	25,433
As at 1 January 2007	15,581	3,208	9,889	1,173	(388)	(1,144)	1,652	323	30,294
Conversion of C shares to Ordinary shares	648	–	(648)	–	–	–	–	–	–
Net realised gains on investments in the year	–	–	–	–	–	3,827	–	–	3,827
Capitalised investment management and performance fees	–	–	–	–	–	(641)	–	–	(641)
Tax relief on costs charged to capital	–	–	–	–	–	210	–	–	210
Purchase of own treasury shares	–	–	–	–	(1,222)	–	–	–	(1,222)
Cancellation of own shares	(10)	–	(18)	10	–	–	–	–	(18)
Movement in unrealised appreciation	–	–	–	–	–	–	(1,523)	–	(1,523)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	1,491	1,491
Dividends paid	–	–	–	–	–	(777)	–	(754)	(1,531)
As at 31 December 2007	16,219	3,208	9,223	1,183	(1,610)	1,474	129	1,061	30,887

* Included within these reserves is an amount of £10,299,000 (2007: £10,148,000) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

Cash Flow Statement

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Operating activities			
Investment income received		1,487	1,266
Deposit interest received		296	377
Dividends received		62	–
Other income received		203	72
Investment management fees paid		(1,015)	(610)
Other cash (payments)/receipts		(252)	153
Net cash inflow from operating activities	19	781	1,258
Taxation			
UK corporation tax paid		(271)	–
Capital expenditure and financial investments			
Purchase of qualifying fixed asset investments		(3,261)	(3,833)
Purchase of non-qualifying fixed asset investments		(33)	–
Purchase of current asset investment		(50)	–
Disposal of qualifying fixed asset investments		6,769	4,975
Disposal of non-qualifying fixed asset investments		–	136
Net cash inflow from investing activities		3,425	1,278
Equity dividends paid			
Dividends paid	10	(3,632)	(1,540)
Net cash inflow before financing		303	996
Financing			
Cancellation of own shares		–	(18)
Purchase of own shares	16	(662)	(1,223)
Issue of share capital (net of costs)		158	–
Net cash outflow from financing		(504)	(1,241)
Cash outflow in the year	18	(201)	(245)

Notes to the Financial Statements

1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") issued by the Association of Investment Companies ("AIC") in January 2009. Albion Development VCT PLC has decided to adopt the principles of the January 2009 SORP earlier than the mandatory date. Accounting policies have been applied consistently in current and prior periods.

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain investments.

2. Accounting policies

Investments

Quoted and unquoted equity investments

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", quoted and unquoted equity investments are designated as fair value through profit or loss ("FVTPL"). Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

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

Unquoted loan stock

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method ("EIR") less impairment. Movements in respect of capital provisions are reflected in the capital column of the Income Statement and are reflected in the Realised capital reserve following sale, or in the Unrealised capital reserve on revaluation.

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the effective interest rate.

Floating rate notes

In accordance with FRS 26, floating rate notes are designated as fair value through profit or loss ("FVTPL"). Floating rate notes are valued at market bid price at the balance sheet date. Floating rate notes are classified as current asset investments as they are investments held for the short term and comparative classification in the Balance Sheet has been restated accordingly.

Warrants, convertibles and unquoted equity derived instruments

Warrants, convertibles and unquoted equity derived instruments are only valued if their exercise or contractual conversion terms would allow them to be exercised or converted as at the balance sheet date, and if there is additional value to the Company in exercising or converting as at the balance sheet date. Otherwise these instruments are held at nil value. The valuation techniques used are those used for the underlying equity investment.

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

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

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

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

Investment income

Quoted and unquoted 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 on a time apportionment basis using an effective interest rate over the life of the financial instrument. Income which is not capable of being received within a reasonable period of time is reflected in the capital value of the investment.

Bank interest income

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

Floating rate note income

Floating rate note income is recognised on an accruals basis using the interest rate applicable to the floating rate note at that time.

Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the Revenue account except the following which are charged through the Realised capital reserve:

- 75 per cent. of Management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

- expenses which are incidental to the purchase or disposal of an investment are charged through the Realised capital reserve.

Performance incentive fee

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

Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The specific nature of taxation of venture capital trusts means that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

Reserves

Realised capital reserves

The following are disclosed in this reserve:

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

Unrealised capital reserves

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

Special reserve

The cancellation of the share premium account has created a special reserve that can be used to fund market purchases and subsequent cancellation of own shares, to cover gross realised losses, and for other distributable purposes.

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.

Own treasury shares held reserve

This reserve accounts for amounts by which the distributable reserves of the Company are diminished through the repurchase of the Company's own shares for treasury.

Share premium reserve

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

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been paid or approved by shareholders in an Annual General Meeting.

Notes to the Financial Statements (continued)

3. (Losses)/gains on investments

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Unrealised (losses)/gains on fixed asset investments held at fair value through profit or loss account	(3,117)	763
Unrealised impairments on fixed asset investments held at amortised cost	(379)	(231)
Reversal of previously unrealised gains on sale of investments	(2,217)	(2,060)
Unrealised losses on fixed asset investments	**(5,713)**	**(1,528)**
Unrealised (losses)/gains on current asset investments held at fair value through profit or loss account	(38)	5
Unrealised losses	**(5,751)**	**(1,523)**
Realised gains on investments held at fair value through profit or loss account	3,425	3,827
Realised gains sub total	**3,425**	**3,827**
Total	**(2,326)**	**2,304**

Investments valued on amortised cost basis are unquoted loan stock investments.

4. Investment income and deposit interest

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Income recognised on investments held at fair value through profit or loss		
Dividend income	62	76
Management fees received from equity investments	10	20
Floating rate note interest	186	177
Bank deposit interest	291	199
Other income	4	–
	553	472
Income recognised on investments held at amortised cost		
Return on loan stock investments	1,425	1,734
	1,978	**2,206**

Interest income earned on impaired investments at 31 December 2008 amounted to £83,000 (2007: £46,000). These investments are all held at amortised cost.

5. Investment management fees

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Investment management fee charged to revenue	184	202
Investment management fee charged to capital	547	604
Performance incentive fee charged to revenue	–	12
Performance incentive fee charged to capital	–	37
	731	**855**

Further details of the Management Agreement under which the investment management fee is paid are given in the Directors' Report and Business Review on page 21.

In addition, a sum of £21,000 in respect of historic management fees and £53,000 in respect of historic performance fees, calculated as a consequence of the VAT reclaim has been accrued and offset against the VAT recoverable in the Income Statement as detailed in note 6.

Notes to the Financial Statements (continued)

6. Recovery of Value Added Tax

HMRC issued a business briefing on 24 July 2008 which permitted the recovery of historic VAT that had been charged on management fees, and which made these fees exempt from VAT with effect from 1 October 2008.

The Manager, Albion Ventures LLP has made a claim for the historic VAT that Albion Development VCT PLC has paid on management fees. Since the balance sheet date the Company has received a historic VAT payment of £414,000 (before the deduction of tax).

£414,000 has been recognised as a separate item in the Income Statement, allocated between revenue and capital return in the same proportion as that which the original VAT has been charged. An additional tax charge of £113,000 is payable on this recovery of historic VAT and this is reflected in the tax charge shown in the Income Statement.

It is possible that further amounts may be recoverable in due course; however, the Directors are at this stage unable to quantify the amounts involved.

7. Other expenses

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Directors' fees	90	94
Other administrative expenses	107	95
Auditors' remuneration for statutory audit services	27	20
	224	**209**

The Auditors' remuneration charge for the current year includes £23,000 (including VAT) in respect of fees relating to PKF (UK) LLP, the current auditors, and £4,000 in respect of fees to Deloitte LLP in respect of the prior year audit. All audit fees charged in the prior year related to Deloitte LLP.

8. Directors' fees

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

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Directors' fees	82	85
National insurance and/or VAT	8	9
	90	**94**

Further information regarding Directors' remuneration can be found in the Directors' Remuneration Report on page 30.

9. Tax charge on ordinary activities

	Year ended 31 December 2008			Year ended 31 December 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	460	(70)	390	510	(210)	300
UK corporation tax in respect of prior years	27	–	27	(218)	–	(218)
Total	**487**	**(70)**	**417**	**292**	**(210)**	**82**

Notes to the Financial Statements (continued)

9. Tax charge on ordinary activities (continued)
Factors affecting the tax charge:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
(Loss)/return on ordinary activities before taxation	(889)	3,446
Tax on profit at the standard rate	(253)	1,034
Factors affecting the charge:		
Non-taxable losses/(gains)	663	(699)
Marginal relief	(2)	(12)
Dividends received	(18)	(23)
Adjustment in respect of prior year consortium relief	27	(218)
	417	**82**

The UK government changed the rate of UK corporation tax rate from 30 per cent. to 28 per cent. with effect from 1 April 2008. The effective rate of tax for the year to 31 December 2008 is 28.5 per cent. (91 days at 30 per cent. and 275 days at 28 per cent.). The tax charge for the year shown in the Income Statement is higher than the standard rate of corporation tax in the UK of 28 per cent. (2007: 30 per cent.). The differences are explained above.

Notes
(i) Venture Capital Trusts are not subject to corporation tax on capital gains.
(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate of 30 per cent. and allocating the relief between revenue and capital in accordance with the SORP.
(iii) No deferred tax asset or liability has arisen in the year.

10. Dividends

	Year ended 31 December 2008 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2007 Revenue £'000	Capital £'000	Total £'000
Dividend of 2.5p (1.25p capital and 1.25p revenue) per share paid on 16 May 2008	383	383	766	–	–	–
Dividend of 5.5p (4.75p capital and 0.75p revenue) per share paid on 3 October 2008	228	1,440	1,668	–	–	–
Dividend of 4.0p (1.5p capital and 2.5p revenue) per share paid on 30 December 2008	748	450	1,198	–	–	–
Dividend of 1.5p (from revenue) per share paid on 9 May 2007	–	–	–	478	–	478
Dividend of 1.0p (from revenue) per share paid on 5 October 2007	–	–	–	276	–	276
Dividend of 2.5p (from capital) per share paid on 5 October 2007	–	–	–	–	777	777
	1,359	**2,273**	**3,632**	**754**	**777**	**1,531**

Notes to the Financial Statements (continued)

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

	Year ended 31 December 2008			Year ended 31 December 2007		
	Revenue pence	**Capital pence**	**Total pence**	**Revenue pence**	**Capital pence**	**Total pence**
Ordinary shares (pence per share)	3.9	(8.2)	(4.3)	4.8	6.0	10.8

Revenue return per share is based upon the net revenue return attributable to shareholders for the year of £1,187,000 (2007: £1,491,000) in respect of the weighted average number of shares in issue during the year, being 30,366,813 (2007: 31,229,055), excluding treasury shares of 2,619,715 (2007: 1,838,323).

Capital loss per share is based upon the net capital loss attributable to shareholders for the year of £2,493,000 (2007: profit £1,873,000) in respect of the same weighted average number of shares as for the revenue return above.

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

12. Fixed asset investments

	31 December 2008 £'000	31 December 2007 £'000
Qualifying AIM investments	1,193	1,048
Qualifying unquoted investments	16,241	22,231
Non-qualifying investments	856	943
Total	**18,290**	**24,222**

	Qualifying AIM investments £'000	Qualifying unquoted investments £'000	Non-qualifying investments £'000	Total £'000
Opening valuation as at 1 January 2008	1,048	22,231	943	24,222
Purchases at cost	–	3,050	33	3,083
Disposal proceeds	–	(6,663)	–	(6,663)
Realised gains/(losses)	–	3,580	(155)	3,425
Movement in loan stock accrued income	–	(63)	(1)	(64)
Unrealised movements on investments	145	(5,894)	36	(5,713)
Closing valuation as at 31 December 2008	**1,193**	**16,241**	**856**	**18,290**
Movement in loan stock accrued income				
Opening accumulated movement in loan stock accrued income	–	1,466	1	1,467
Restructuring of investments	–	(292)	(1)	(293)
Movement in loan stock accrued income	–	(63)	(1)	(64)
Closing accumulated movement in loan stock accrued income	**–**	**1,111**	**(1)**	**1,110**
Movement in unrealised losses				
Opening accumulated unrealised losses	(552)	865	(190)	123
Restructuring of investments	–	17	–	17
Reversal of previously unrealised (gains)/losses on disposal	–	(2,372)	155	(2,217)
Movement in unrealised gains/(losses)	145	(3,522)	(119)	(3,496)
Closing accumulated unrealised losses	**(407)**	**(5,012)**	**(154)**	**(5,573)**
Historic cost basis				
Opening book cost	1,600	19,900	1,132	22,632
Restructuring of investments	–	276	–	276
Purchases at cost	–	3,050	33	3,083
Sales at cost	–	(3,084)	(154)	(3,238)
Closing book cost	**1,600**	**20,142**	**1,011**	**22,753**

Restructuring of investments includes £293,000 of capitalised interest which has been transferred to cost in the prior year and is a non-cash movement.

Notes to the Financial Statements (continued)

12. Fixed asset investments (continued)

Fixed asset investments held at fair value through the profit or loss account total £4,792,000 (2007: £9,830,000). Investments held at amortised cost total £13,498,000 (2007: £14,392,000). There has been no re-designation of fixed asset investments during the year.

There was one material disposal during the year of Grosvenor Health Limited, and one material partial disposal of loan stock during the year in The Q Garden Company Limited. The net disposal proceeds of Grosvenor Health Limited were £6,250,000 (of which £488,000 relates to redemption premia which has been included within investment income) with cost of £2,225,000 and an opening carrying value as at 1 January 2008 of £5,132,000. The net disposal proceeds of The Q Garden Company Limited were £450,000, compared with a cost of £333,000 and an opening carrying value as at 1 January 2008 of £229,000.

Fixed asset investment class valuation methodologies

Quoted equity investments (both qualifying and non-qualifying) are valued at closing market bid price as at the balance sheet date.

Unquoted loan stock investments are valued on an amortised cost basis. Loan stock with a fixed rate of interest total £13,049,000 (2007: £12,150,000) and loan stock with a floating interest rate total £449,000 (2007: £2,242,000).

The Directors believe that the carrying value of loan stock, valued using amortised cost, is not materially different to fair value.

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

Unquoted equity investments are valued in accordance with the IPEVCV guidelines as follows;

	31 December 2008 £'000	31 December 2007 £'000
Investment methodology		
Cost (reviewed for impairment)	839	1,228
Net asset value	839	3,241
Recent investment price	808	3,384
Earnings multiple	1,113	754
	3,599	**8,607**

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

	31 December 2008 £'000	31 December 2007 £'000
Unquoted equity	3,250	8,607
Quoted equity	1,193	1,048
Unquoted equity derived instruments	72	175
Unquoted loan stock	13,498	14,392
Warrants and convertibles	277	–
	18,290	**24,222**

Fixed asset investments had the following movements between investment methodologies between 31 December 2007 and 31 December 2008:

Change in investment methodology (2007 to 2008)	Value as at 31 December 2008 £'000	Explanatory Note
Cost (reviewed for impairment) to net asset value	82	Investment held at cost for the first year
Cost (reviewed for impairment) to recent investment price	298	Investment held at cost for the first year
Cost (reviewed for impairment) to earnings multiple	39	Investment held at cost for the first year
Recent investment price to earnings multiple	148	Recent investment price no longer current
Earnings multiple to recent investment price	179	Most recent price

Notes to the Financial Statements (continued)

12. Fixed asset investments (continued)

In the absence of a more appropriate valuation methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to 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 December 2008.

13. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the investee company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the investee companies as at 31 December 2008 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Evolutions Television Limited	Great Britain	Television and post production	23.7% A Ordinary	23.7%
The Q Garden Company Limited	Great Britain	Garden centre operator	33.0% A Ordinary	33.3%
Consolidated PR Limited	Great Britain	Public relations agency	50.0% A Ordinary	12.8%
Smiles Pub Company Limited	Great Britain	Owner of residential property	48.4% A Ordinary	48.4%
Blackbay Limited	Great Britain	Mobile data solutions	21.1% A Ordinary	7.0%

As permitted by FRS 9, the investments listed above are held as part of an investment portfolio, and their value to the Company is as part of a portfolio of investments. Therefore these investments are not considered to be associated undertakings.

14. Current assets include the following:

Debtors	31 December 2008 £'000	31 December 2007 £'000
Prepayments and accrued income	4	13
VAT recovery	488	–
Other debtors	216	120
	708	**133**

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

Current asset investment	31 December 2008 £'000	31 December 2007 £'000
Citigroup Floating Rate Note 26 March 2009	**3,014**	3,004

The investment in the Citigroup floating rate note represents money held for investment. The floating rate note can be converted to cash within five working days. Floating rate notes were classified as fixed assets in the prior year and have been reclassified to current asset investments in the current year.

15. Creditors: amounts falling due within one year

	31 December 2008 £'000	31 December 2007 £'000
UK corporation tax payable	255	112
Accruals and deferred income	103	351
Other creditors	11	–
	369	**463**

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

Notes to the Financial Statements (continued)

16. Called up share capital

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Authorised:		
50,000,000 Ordinary shares of 50p each (2007: 50,000,000)	**25,000**	25,000
Allotted, called up and fully paid		
32,613,482 Ordinary shares of 50p each (2007: 32,438,309)	**16,307**	16,219
Allotted, called up and fully paid excluding treasury shares		
29,993,767 Ordinary shares of 50p each (2007: 30,599,986)	**14,997**	14,609

The Company purchased 781,392 Ordinary shares (2007: 1,395,286) to be held in treasury at a cost of £662,000 (2007: £1,223,000) representing 2.6 per cent. of the shares in issue (excluding treasury shares) as at 31 December 2008. The shares purchased for treasury were funded from the Own treasury shares reserve. The Company holds a total of 2,619,715 Ordinary shares in treasury, representing 8.7 per cent. of the Ordinary shares in issue (excluding treasury shares) as at 31 December 2008.

Under the Dividend Reinvestment Scheme Circular published 27 August 2008, the following shares of 50 pence nominal value were allotted.

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Consideration received £'000	Opening market price per share on allotment date pence per share
3 October 2008	90,818	45	88	85.0
30 December 2008	84,355	42	72	73.5

17. Net asset value per share

	31 December 2008 pence	31 December 2007 pence
Net asset value per share	**84.8**	100.9

The 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 the treasury shares of 29,993,767 (2007: 30,599,986) in issue at 31 December 2008.

18. Analysis of changes in cash during the year

	31 December 2008 £'000	31 December 2007 £'000
Opening cash balances	3,991	4,236
Net cash outflow	(201)	(245)
Closing cash balances	**3,790**	**3,991**

19. Reconciliation of net return on ordinary activities before taxation to net cash inflow from operating activities

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Revenue return on ordinary activities before taxation	1,674	1,783
Investment management fee charged to capital	(547)	(604)
Performance incentive fee charged to capital	–	(37)
Recovery of VAT charged to capital	310	–
Movement in accrued amortised loan stock interest	64	(505)
(Increase)/decrease in debtors	(481)	276
(Decrease)/increase in creditors	(239)	345
Net cash inflow from operating activities	**781**	**1,258**

Notes to the Financial Statements (continued)

20. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 16. The Company is permitted to buy-back its own shares for cancellation or treasury purposes, and this is described in more detail on page 23 of the Directors' Report and Business Review.

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

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

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

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

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted and in quoted investments, details of which are shown on pages 11 to 16. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the investee company and overall fall in equity values. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment risk.

The Manager and the Board formally 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 investments.

The maximum investment risk as at the balance sheet date is the value of the fixed asset and current asset investment portfolio which is £21,304,000 (2007: £27,226,000). Fixed asset and current asset investments form 84 per cent. of the net asset value as at 31 December 2008 (2007: 88 per cent.).

More details regarding the classification of fixed asset investments and current asset investments are shown in note 12 and note 14 respectively.

Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Manager's Report.

In accordance with the IPEVCV Guidelines, in the absence of a more appropriate methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to 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 reasonable possible alternative methods of valuation of the investments as at 31 December 2008.

As required under FRS 29 "Financial Instruments: Disclosures", the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed 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 of Ordinary shares by £2,130,000 (2007: £2,723,000).

Notes to the Financial Statements (continued)

20. Capital and financial instruments risk management (continued)

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced total return before tax for the year by approximately 12 per cent. (2007: 1 per cent.).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 8 per cent. (2007: 10 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 2.4 years (2007: 3.4 years).

Credit risk

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

The Manager evaluates credit risk on loan stock and floating rate note 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 first fixed charge or a fixed and floating charge over the assets of the investee company in order to mitigate the gross credit risk. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment specific credit risk.

Bank deposits and floating rate note investments are held with banks which have a Moody's credit rating of at least 'A'. The Company has an informal policy of limiting counterparty banking and floating rate note exposure to a maximum of 20 per cent. of net asset value for any one counterparty.

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

The Company's total gross credit risk at 31 December 2008 is limited to £13,498,000 (2007: £14,392,000) of unquoted loan stock instruments, £3,014,000 (2007: £3,004,000) of floating rate notes and £3,790,000 (2007: £3,991,000) cash deposits with banks.

In the case of asset-based investments, security is held as a first charge over the underlying assets of the investee company, and in the case of high growth investments, security is held as fixed and floating charge over the business and assets of the company; in most cases, this is as a first charge.

As at the balance sheet date, the cash held by the Company is held with the Royal Bank of Scotland plc, Bank of Scotland plc, LloydsTSB plc and BNP Paribas Securities Services Custody Bank Limited. Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to regulatory supervision, with Moody's credit ratings of at least 'A' or equivalent as assigned by international credit-rating agencies.

The Company held one floating rate note with Citigroup Inc. as at the balance sheet date, totalling £3,014,000 which matured on 26 March 2009.

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account and as floating rate notes. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited balance sheet, which amounts to £2,543,000 (2007: £3,089,000) as at 31 December 2008.

The Company has no committed borrowing facilities as at 31 December 2008 (2007: £nil). At that date, the Company had cash balances of £3,790,000 (2007: £3,991,000) with £3,014,000 (2007: £3,004,000) invested in floating rate notes, 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 dividends, which are considered to be 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 £369,000 (2007: £463,000) as at 31 December 2008.

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

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 December 2008 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, which are carried at amortised cost, in accordance with FRS 26. The Directors believe that the current carrying value of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

Notes to the Financial Statements (continued)

20. Capital and financial instruments risk management (continued)

The Company's financial assets and liabilities as at 31 December 2008, all denominated in pounds sterling, consist of the following:

	31 December 2008				31 December 2007			
	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Unquoted equity	–	–	3,599	3,599	–	–	8,783	8,783
Quoted equity	–	–	1,193	1,193	–	–	1,047	1,047
Unquoted loan stock	13,049	449	–	13,498	9,888	4,504	–	14,392
Debtors	–	–	708	708	–	–	133	133
Current liabilities	–	–	(369)	(369)	–	–	(463)	(463)
Floating rate notes	–	3,014	–	3,014	–	3,004	–	3,004
Cash	–	3,790	–	3,790	–	3,991	–	3,991
Total net assets	**13,049**	**7,253**	**5,131**	**25,433**	**9,888**	**11,499**	**9,500**	**30,887**

The carrying value of loan stock investments held at amortised cost at 31 December 2008 is as follows:

Redemption date	Fully performing loan stock £'000	Past due loan stock £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	3,238	–	–	401	3,639
1-2 years	737	–	1,278	450	2,465
2-3 years	1,258	–	552	562	2,372
3-5 years	3,268	–	1,113	641	5,022
Total	**8,501**	**–**	**2,943**	**2,054**	**13,498**

The carrying value of loan stock investments held at amortised cost at 31 December 2007 is as follows:

Redemption date	Fully performing loan stock £'000	Past due loan stock (i) £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	36	–	–	–	36
1-2 years	4,560	–	–	–	4,560
2-3 years	1,484	–	476	595	2,555
3-5 years	3,026	434	3,260	521	7,241
Total	**9,106**	**434**	**3,736**	**1,116**	**14,392**

(i) Interest (not capital) is overdue.

The below table details the carrying value of loan stock that owed £2,000 in overdue loan stock interest at 31 December 2007. This interest was repaid in 2008 and is no longer outstanding.

Redemption date	31 December 2008 £'000	31 December 2007 £'000
Less than 3 months	–	–
3-6 months	–	–
6-9 months	–	–
9-12 months	–	–
More than 1 year	–	434
Total	**–**	**434**

Notes to the Financial Statements (continued)

21. Post balance sheet events

Since 31 December 2008 the Company has had the following post balance sheet events:

- Repayment of VAT as outlined in note 6, including interest
- Investment in Forth Photonics Limited of £210,000
- Investment in Xceleron Limited of £17,066
- Investment in Vibrant Energy Surveys Limited of £24,276
- Investment in the Dunedin Pub Company VCT Limited of £6,500
- The Company's investment in Resorthoppa Limited was acquired by Lowcosttravelgroup Limited, another investment held by the Company, on 22 January 2009
- The business of Close Ventures Limited, the Manager, was acquired by Albion Ventures LLP from Close Brothers Group plc on 23 January 2009
- Change of name from Close Brothers Development VCT PLC to Albion Development VCT PLC as approved by a General Meeting on 24 March 2009

22. Contingencies, guarantees and financial commitments

The Company has given two third party charges of deposit dated 17 April 2004 and 3 February 2005 to The Royal Bank of Scotland plc in respect of the borrowing of investee companies. As at 31 December 2008 the maximum exposure under these guarantees was £nil (2007: £nil).

The Company has also given one third party charge of deposit dated 6 March 2001 to National Westminster Bank plc in respect of the borrowing of investee companies. As at 31 December 2008 the maximum exposure under this guarantee was £nil (2007: £nil).

These guarantees are secured by a third party charge of deposit over specific bank accounts with balances of £nil (2007: £nil). This security would be enforced in the event of a default by the investee company. The Company did not have any other contingencies at 31 December 2008.

23. Related party transactions

The Manager, Albion Ventures LLP (formerly Close Ventures Limited), is considered to be a related party by virtue of the fact that it is party to a management agreement from the Company (details disclosed on page 21 of this report). During the year, services of a total value of £731,000 (2007: £855,000) were purchased by the Company from Albion Ventures LLP. At the financial year end, the amount due to Albion Ventures LLP disclosed as accruals and deferred income was £49,000 (2007: £278,000).

Albion Ventures LLP has reclaimed VAT from HMRC as described in note 6. A sum of £414,000 has been recognised in the Income Statement for the year reflecting a gross receipt of £488,000, less a creditor for £74,000 in respect of related historic management and performance fees to be paid to Albion Ventures LLP.

During the year 781,392 treasury shares were purchased at an average price of 84.2 pence per share through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc. Details of buy-backs during the year can be found in note 16.

There are no other related party transactions or balances requiring disclosure.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Development VCT PLC (the "Company") will be held at The Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, London EC2M 4TH on 28 May 2009 at 2.30 pm for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 7 will be proposed as ordinary resolutions and numbers 8 to 11 as special resolutions.

Ordinary Business

1 To receive the Company's accounts for the year ended 31 December 2008 together with the report of the Directors and Auditors.

2 To approve the Directors' Remuneration Report for the year ended 31 December 2008.

3 To re-elect David Pinckney as a Director of the Company.

4 To re-elect Jonathan Thornton as a Director of the Company.

5 To re-appoint PKF (UK) LLP as Auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.

6 To authorise the Directors to agree the Auditors' remuneration.

Special Business

7 That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £1,499,688, such authority to expire on 28 November 2010 but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired.

8 That subject to and conditional on the passing of resolution number 7, the Directors may be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution number 7 as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

8.1 in connection with an offer of such securities by way of rights issue;

8.2 in connection with any dividend reinvestment scheme introduced and operated by the Company; and

8.3 otherwise than pursuant to Clause 8.1 and 8.2 above up to an aggregate nominal amount in the case of issued Ordinary share capital of £749,844, and shall expire on 28 November 2010, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

In this resolution, "**rights issue**" means an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94 (3A) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 7" were omitted.

Notice of Annual General Meeting (continued)

9 That subject to and in accordance with Article 10 of the Company's Articles of Association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of Ordinary shares of 50p each in the capital of the Company ("Ordinary shares") on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 162D of the Act, provided that:

(a) the maximum number of shares hereby authorised to be purchased is 4,496,066 Ordinary shares (representing approximately 14.99 per cent. of the issued Ordinary shares (excluding shares held in treasury) as at the date of this Notice;

(b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share is 50p;

(c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary share is an amount equal to the higher of: (a) 105 per cent. of the average of the middle market quotations for an Ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and

(d) the authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of the resolution, whichever is earlier (except in relation to the purchase of Ordinary shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry).

10 That with immediate effect, the Articles of Association of the Company contained in the document produced to the meeting (and signed by the Chairman for the purposes of identification) be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

11 THAT with effect from 00.01am on 1 October 2009:

(a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

(b) the Articles of Association of the Company contained in the document produced to the meeting (and signed by the Chairman for the purposes of identification) be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

BY ORDER OF THE BOARD

Albion Ventures LLP
Company Secretary

Dated: 16 April 2009
Registered Office:
1 King's Arms Yard, London EC2R 7AF

Notice of Annual General Meeting (continued)

Notes

1 This Notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 to enjoy information rights. Members will find an admission/voting card and a proxy form enclosed with this Notice. If you are attending the meeting, you should bring the admission card with you. Only holders of Ordinary shares, or their duly appointed representatives, are entitled to attend, vote and speak at the meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend, speak and vote on his/her behalf. A proxy form is enclosed with this Notice. To be valid a proxy appointment must reach the office of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting or any adjournment thereof.

2 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered member who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

3 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members on the register of members of the Company as at 2.30 pm on 26 May 2009 (or, if the meeting is adjourned, members on the register of members not later than 48 hours before the time fixed for the adjourned meeting) are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4 Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the Annual General Meeting, and at the place of the meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion. In addition, a copy of the New Articles of Association will be available for inspection at the Company's Registered Office and at the place of the meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

5 Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to:

(a) 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 Annual General Meeting; or

(b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, 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 Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

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Albion Development VCT PLC

ALBION VENTURES