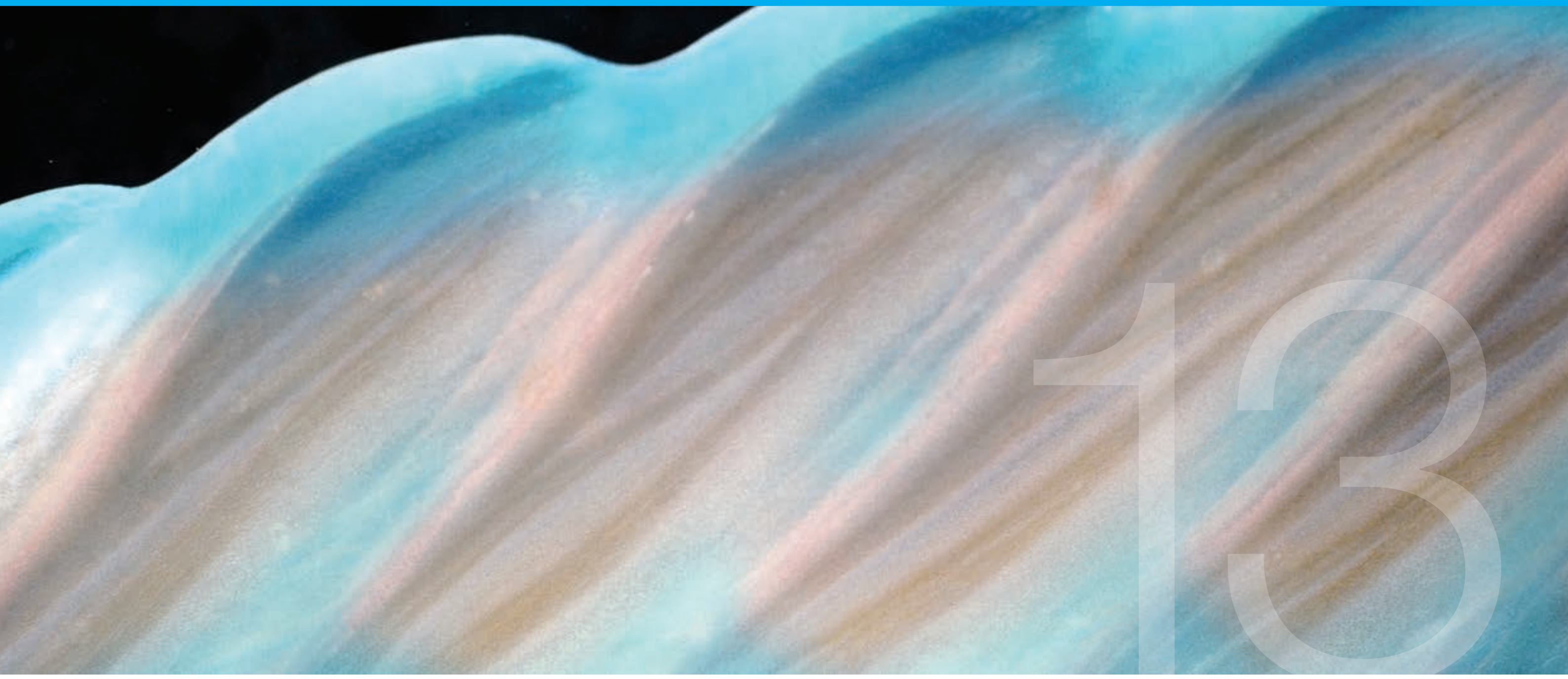
Annual Report and Financial Statements for the year ended 31 December 2013



Albion Development VCT PLC

ALBION VENTURES

Contents

Company information

Company number	03654040
Directors	G O Vero FCA, Chairman A Phillipps PhD MBA P H Reeve MA ACA J G T Thornton MA MBA FCA
Manager, company secretary and registered office	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP

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

Shareholder enquiries

For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:
Tel: 0870 873 5853 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri, calls may be recorded)
Website: www.investorcentre.co.uk

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

Financial adviser enquiries

For enquiries relating to the performance of the Fund and information for financial advisers please contact Albion Ventures LLP:
Tel: 0207 601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded)
Email: info@albion-ventures.co.uk
Website: www.albion-ventures.co.uk

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

Investment objectives

Albion Development VCT PLC (the "Company") is a venture capital trust which raised a total of £33.3 million through an issue of shares between 1999 and 2004. The C shares merged with the Ordinary shares in 2007.

A further £6.3 million was raised through an issue of new D shares in 2009/2010 and £6.1 million has been raised for the Ordinary shares through the Albion VCTs Top Up Offers since January 2011. The funds raised will be invested in accordance with the Company's existing investment policy.

The Company's investment policy is intended to provide investors with a regular and predictable source of dividend income combined with the prospects of long term capital growth. This is achieved by establishing 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 a number of higher risk companies with greater growth prospects in sectors such as software and computer services, and medical technology.

- This is balanced by investment in more stable, often asset-backed investments that provide a strong income stream. 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.

- In neither category do portfolio companies normally have any external borrowings with a prior charge ranking ahead of the VCT.

- Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the portfolio company's assets.

Financial calendar

Record date for first dividend	2 May 2014
Payment of first dividend	30 May 2014
Annual General Meeting	11am on 4 June 2014
Announcement of half-yearly results for the six months ending 30 June 2014	August 2014
Payment of second dividend (subject to Board approval)	30 September 2014

Financial highlights

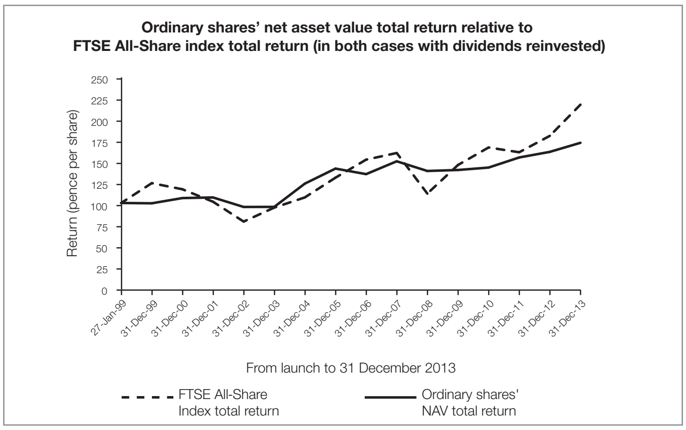
Ordinary shares

146.85p Net asset value plus dividends per Ordinary share from launch to 31 December 2013

5.00p Total tax free dividends per Ordinary share paid in the year to 31 December 2013

2.50p First tax free dividend per Ordinary share declared for the year to 31 December 2014

74.10p Net asset value per Ordinary share as at 31 December 2013



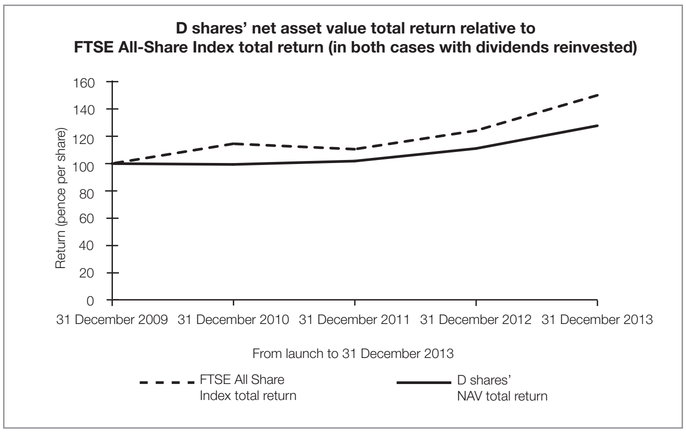
D shares

119.40p Net asset value plus dividends per D share from launch to 31 December 2013

5.00p Total tax free dividends per D share paid in the year to 31 December 2013

2.50p First tax free dividend per D share declared for the year to 31 December 2014

107.40p Net asset value per D share as at 31 December 2013



Financial highlights (continued)

	Ordinary shares		D shares	
	31 December 2013 pence per share	31 December 2012 pence per share	**31 December 2013 pence per share**	31 December 2012 pence per share
Dividends paid	**5.00**	5.00	**5.00**	3.50
Revenue return	**1.10**	1.50	**3.00**	1.90
Capital return	**4.00**	2.00	**11.40**	6.50
Net asset value	**74.10**	74.00	**107.40**	97.90

Total shareholder net asset value return to 31 December 2013:

	Ordinary shares 31 December 2013 (pence per share)[(ii)]	**C shares 31 December 2013 (pence per share)[(ii)]**	**D shares 31 December 2013 (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	12.00	12.86	–
31 December 2009	4.00	4.29	–
31 December 2010	8.00	8.58	1.00
31 December 2011	5.00	5.36	2.50
31 December 2012	5.00	5.36	3.50
31 December 2013	5.00	5.36	5.00
Total dividends paid to 31 December 2013	**72.75**	**60.32**	**12.00**
Net asset value as at 31 December 2013	**74.10**	**79.40**	**107.40**
Total shareholder return to 31 December 2013	**146.85**	**139.72**	**119.40**

In addition to the dividends paid above, the Board has declared a first dividend for the year ending 31 December 2014, of 2.50 pence per Ordinary share and 2.50 pence per D share payable on 30 May 2014 to shareholders on the register at 2 May 2014.

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 results for Albion Development VCT PLC for the year to 31 December 2013 showed a further improvement over the previous period, with a total return of 5.1 pence per Ordinary share and 14.4 pence per D share, against 3.5 pence and 8.4 pence respectively for 2012.

Investment performance and progress
The year saw three exits, with Opta Sports Data and Nelson House Hospital being sold at 3.3 times and 1.5 times cost respectively, more than compensating for the loss from the sale of Prime Care (equal to a little over half cost).

In the meantime, investment activity was strong. The renewable energy portfolio was enlarged through the investment in a new "run of river" hydro-electric project in North West Scotland, Chonais Holdings, while investments were made in three companies involved in healthcare information technology namely Cisiv, Silent Herdsman and Aridhia Informatics. In addition, a number of investments were made to support existing portfolio companies.

Companies that performed particularly strongly during the year included Radnor House School, which now has 340 pupils; Blackbay, whose mobile data solutions saw strong growth in the UK; Mirada Medical, who medical imaging software gained market share, particularly in the US; and memsstar, where sales of specialist semiconductor fabrication equipment grew over the period. The D share portfolio benefited in particular from the proportionately high shareholdings in Radnor House, but also from the holdings in Hilson Moran and Masters Pharmaceuticals, both of which were written up as a result of growth.

Against this, partial provisions were made against, inter alia, Helveta, Consolidated PR, Lowcost and our two largest health and fitness clubs, in the face of slower growth than anticipated (in which the D share portfolio has no shareholdings).

Risks and uncertainties
The outlook for the Domestic and Global economies continues to be the key risk affecting your Company, despite the renewed growth in the UK. The task of the Manager is to allocate resources to those sectors and investment opportunities where growth can be both resilient and sustainable. Importantly, however, investment risk is mitigated through a variety of processes including our policy on ensuring that the VCT has a first charge over portfolio companies' assets wherever possible.

A detailed analysis of the other risks and uncertainties facing the business is shown in the Strategic report within the Annual Report and Financial Statements on pages 11 and 12.

Discount management and share buy-backs
It remains the Board's primary objective to maintain sufficient resources for investment in existing and new portfolio companies and for the continued payment of dividends to shareholders. The Board's policy is to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interest. It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

During the year, the Company purchased in the market 946,000 Ordinary shares at a cost of £652,000 and 57,212 D shares at a cost of £50,000, representing 2.7 per cent. and 0.9 per cent. of the opening shares in issue.

Transactions with Manager
Details of transactions that took place with the Manager during the year can be found in note 5 and principally relate to the management fee.

Results and dividends
As at 31 December 2013, the net asset value was 74.1 pence per Ordinary share and 107.4 pence per D share. The Company will pay a first dividend for the financial year to 31 December 2014 of 2.5 pence per Ordinary share and 2.5 pence per D share on 30 May 2014 to shareholders on the register as at 2 May 2014.

Albion VCTs Top Up Offers 2013/2014
On 10 March 2014, the Company announced an increase in the size of the Albion VCTs Top Up Offers 2013/2014. In aggregate, the Albion VCTs will be aiming to raise approximately £27 million across six of the VCTs managed by Albion Ventures LLP, of which Albion Development VCT PLC (Ordinary shares) will be aiming to raise circa £4 million.

The funds raised by each Company pursuant to its Offer will be added to the liquid resources available for investment so as to put each Company into a position to take advantage of attractive investment opportunities over the next two to three years. Accordingly, the proceeds of the Offers will be applied in accordance with the respective Companies' investment policies. A prospectus has now been published and can be obtained from www.albion-ventures.co.uk.

Board changes
David Pinckney, who has been a director since the Company's launch, retired from the Board on 6 June 2013 and on behalf of all shareholders, I would like to thank him for his many years of wise counsel. Patrick Reeve, Managing Partner of Albion Ventures LLP, joined the Board on 12 November 2013 following David's retirement.

Outlook and prospects
Despite the muted outlook for the Global economies, we believe that a number of our portfolio companies have real prospects for sustained growth and strong value creation. The results for the year have been encouraging and provide some under-pinning to this optimism. We continue to rebalance our investment portfolio to provide further emphasis on areas that we see as being more resilient with strong growth prospects, and look forward to the current year with some confidence.

Geoffrey Vero
Chairman
28 March 2014

Strategic report

The Directors present the Strategic report of the Company for the year ended 31 December 2013 which has been prepared in accordance with the requirements of section 414A of the Companies Act 2006 (the "Act"). The purpose of this report is to inform shareholders and provide them with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

Investment objective and policy

The Company's investment policy is intended to provide investors with a regular and predictable source of dividend income combined with the prospects of long term capital growth. This is achieved by establishing 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:

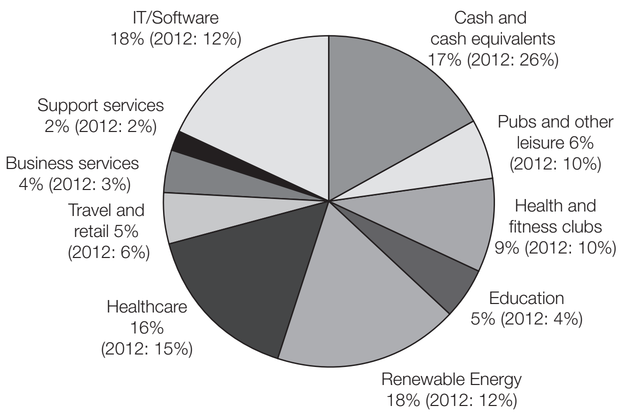
- Through investment in a number of higher risk companies with greater growth prospects in sectors such as software and computer services, and medical technology.
- This is balanced by investment in more stable, often asset-backed investments that provide a strong income stream. These include freehold-based 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.
- In neither category do portfolio companies normally have any external borrowings with a prior charge ranking ahead of the VCT.
- Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the portfolio company's assets.

Funds held pending investment or for liquidity purposes will be held as cash on deposit or in floating rate notes or similar instruments with banks or other financial institutions with a Moody's rating of A or above.

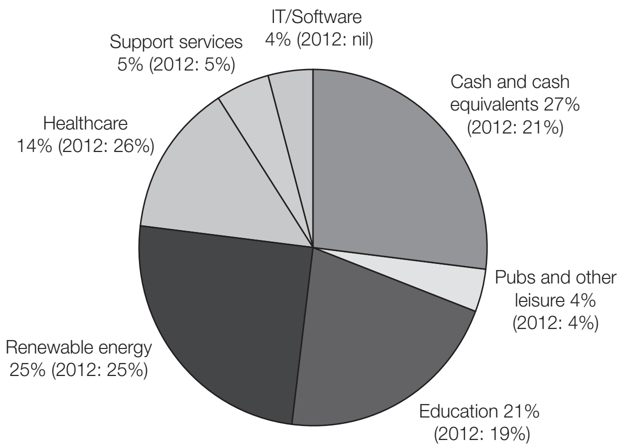
Current portfolio sector allocation

As mentioned above, it is intended that the Company's investment portfolio will be split between higher risk companies with greater growth prospects, balanced by investment in more stable companies, which are often asset-backed, that provide a strong income stream combined with a protection of capital. The pie charts below show the split of the portfolio valuation by industrial or commercial sector as at 31 December 2013. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 15 to 18.

Ordinary share investment portfolio by sector



D share investment portfolio by sector



Source: Albion Ventures LLP

Direction of portfolio

The sector analysis of the VCT's Ordinary share investment portfolio shows that renewable energy now accounts for 18 per cent. of the portfolio compared to 12 per cent. at the end of the previous financial year. Similarly, IT/Software now accounts for 18 per cent. compared to 12 per cent. in the previous financial year.

The sector analysis for the VCT's D share investment portfolio shows that Healthcare investments now account for 14 per cent. compared to 26 per cent. previously. Although Healthcare has reduced as a proportion of the whole, this is due to exits over the past year. We would anticipate the sector increasing in importance in the current period, as it is a core area that the manager has targeted for value creation and a good potential source of recurring income.

The sector analyses for both the Ordinary share and the D share investment portfolio remain in line with the Board's target exposure with a view to maintaining a balanced portfolio of investments as new opportunities arise.

Strategic report (continued)

Results and dividend policy

	Ordinary shares £'000	D shares £'000	Combined £'000
Net revenue return for the year ended 31 December 2013	379	193	572
Revenue dividend paid on 31 May 2013	(841)	(159)	(1,000)
Revenue dividend paid on 30 September 2013	(854)	(158)	(1,012)
Transfer from special reserve for the year ended 31 December 2013	1,695	317	2,012
Transferred to other distributable reserve	**379**	**193**	**572**
Net capital return for the year ended 31 December 2013	1,335	726	2,061
Transferred to realised and unrealised capital reserves	**1,335**	**726**	**2,061**
Net assets as at 31 December 2013	25,175	6,827	32,002
Net asset value per share as at 31 December 2013 (pence)	74.10	107.40	

The Company paid dividends of 5.00 pence per Ordinary share and 5.00 pence per D share during the year (2012: 5.00 pence per Ordinary share and 3.50 pence per D share).

As described in the Chairman's statement, the Board has declared a first dividend for the year ending 31 December 2014 of 2.50 pence per Ordinary share and 2.50 pence per D share. This dividend will be paid on 30 May 2014 to shareholders on the register as at 2 May 2014.

As shown in the Ordinary shares' Income statement on page 37, the total investment income decreased to £731,000 (2012: £928,000) due, in part, to the disposal of loan stock investments during the year. Consequently, the Company's total revenue return to equity holders has fallen to £379,000 (2012: £481,000).

The Ordinary shares' total capital return for the year was £1,335,000 (2012: £626,000). This is mainly attributable to the upward unrealised revaluations in the Company's investment portfolio and by realised gains on disposal of investments, offset by management fees charged to capital.

The Ordinary shares' total return was 5.10 pence per share (2012: 3.50 pence per share).

The Ordinary shares' Balance sheet on page 39 shows that the net asset value has increased over the last year to 74.10 pence per share (2012: 74.00 pence per share). The increase in net asset value can be attributed to positive movements in realised and unrealised gains offset by the 5.00 pence per Ordinary share payment of dividends, expenses and the buy-back of Ordinary shares by the Company at a discount to net asset value.

The cash flow for the Ordinary shares was negative for the year as a result of a number of new investments made and dividends paid during the year partially offset by net cash inflow from operating activities, the disposal of investments and the issue of shares.

The D shares' Income statement on page 37 shows an increase in income to £328,000 (2012: £249,000) due to an increase in interest received on loan stock investments made during the year.

The D shares' total capital return was £726,000 (2012: £413,000) reflecting the upward unrealised revaluations in the Company's investment portfolio and by realised gains on disposal of investments, offset by management fees charged to capital.

The D shares' total return was 14.40 pence per share (2012: 8.40 pence per share).

The D shares' Balance sheet on page 40 shows a net asset value of 107.40 pence per share (2012: 97.90 pence per share). The increase in net asset value can be attributed to the factors described above, notwithstanding the payment of the dividend of 5.00 pence per D share during the year.

Cash flow for the D shares was positive for the year, with the disposal of investments and cash inflow from operations being partially offset by the payment of dividends, the buy-back of shares and purchases of new investments.

Review of business and future changes

The results for the year to 31 December 2013 show a further improvement over the previous year with a total return of 146.85 pence per share since launch for Ordinary shares (2012: 141.75 pence per share) and 119.40 pence per share since launch for D shares (2012: 104.90 pence per share). We believe there should be further progress in the current year.

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year. The Company

Strategic report (continued)

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.

It is the intention of the Board to merge the D shares with the Ordinary shares in early 2015 on the basis of their respective audited net asset value per share at 31 December 2014.

A detailed review of the Company's business during the year 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. Details of transactions with the Manager are shown in note 5.

Future prospects

The key drivers for returns within the portfolio are those sectors that are involved in the larger-term global trends. These include the importance of Healthcare as an ageing population, sustainable energy against a background of climate change, and the developing use of information technology in an environment of universal information. The portfolio is well positioned to take advantage of these changes.

Key performance indicators

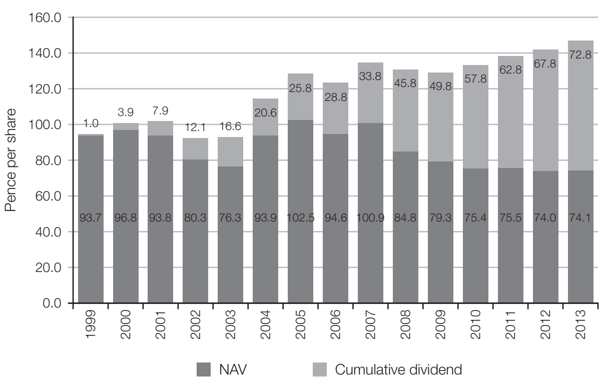
The Directors believe that the following key performance indicators, which are typical for venture capital trusts, used in its own assessment of the Company, will provide shareholders with sufficient information to assess how effectively the Company is applying its investment policy to meet its objectives. These are:

Net asset value total return relative to FTSE All Share Index total return

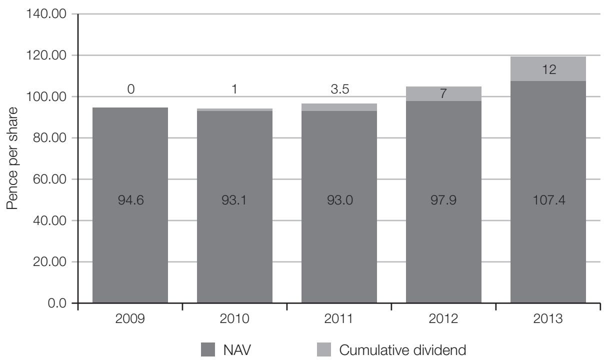
The graphs on page 4 shows the net asset value total return against the FTSE All-Share Index total return, in both instances with dividends reinvested. Details on the performance of the net asset value and return per share for the year are shown on page 8.

Net asset value per share and cumulative net asset value total shareholder return

Ordinary shares – Net asset value per Share and cumulative NAV total shareholder return*



D shares – Net asset value per Share and cumulative NAV total shareholder return*



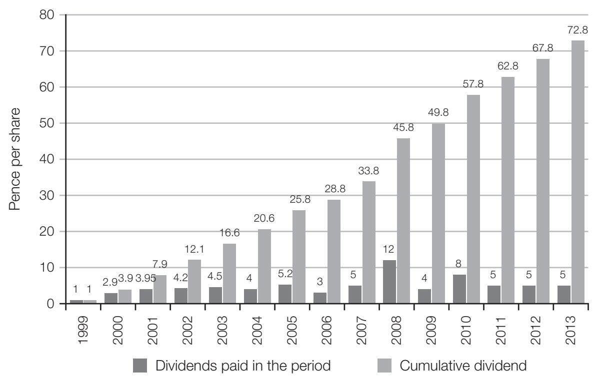
* Cumulative NAV total shareholder return is net asset value plus cumulative dividends paid since launch to 31 December 2013.

Net asset value increased by 0.1% to 74.10 pence per Ordinary share and 9.7% to 107.40 pence per D share for the year ended 31 December 2013.

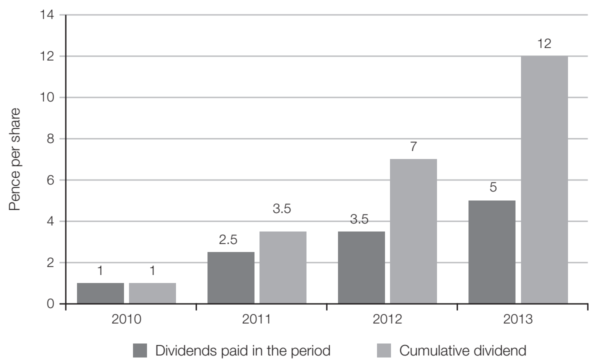
Cumulative net asset value total return to shareholders increased by 3.6% to 146.90 pence per Ordinary share and 13.8% to 119.4 pence per D share for the year ended 31 December 2013.

Dividend distributions

Ordinary shares – Dividends paid



D shares – Dividends paid



Dividends paid in respect of the year ended 31 December 2013 were 5.00 pence per Ordinary share (2012: 5.00 pence per share) and 5.00 pence per D share (2012: 3.50 pence per share), in line with the Boards dividend objective. Cumulative dividends paid since inception are 72.75 pence per Ordinary share and 12.0 pence per D share.

Ongoing charges
The ongoing charges ratio for the year to 31 December 2013 was 2.9 per cent. (2012: 3.0 per cent.). The ongoing charges ratio has been calculated using the Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the next year to be approximately 2.9 per cent.

Maintenance of VCT qualifying status
The Company continues to comply with HM Revenue & Customs ("HMRC") rules in order to maintain its status under Venture Capital Trust legislation as highlighted below.

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

(1) The Company's income must be derived wholly or mainly from shares and securities;
(2) At least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';
(3) At least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 the figure is 70 per cent.;
(4) At no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by HMRC value of its investments;
(5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
(6) Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company; and
(7) The Company's shares, throughout the year, 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 portfolio company. The tests have been carried out and independently reviewed for the year ended 31 December 2013. The Company has complied with all tests and continues to do so.

'Qualifying holdings' include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the pie chart on page 7.

Portfolio company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. With effect from 6 April 2012 the legislation has been amended so as to prevent any company from receiving more than £5 million in aggregate from all state-aided providers of risk capital, including VCTs, in the 12 month period up to and including the most recent such investment.

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 2013 the Company's maximum possible exposure was £3,097,000 (2012: £2,914,000) and its actual short term and long term gearing at this date was £nil (2012: £nil). The Directors do not currently have any intention to utilise long term gearing.

Operational arrangements
The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Conduct 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 and the way the Board has evaluated the performance of the Manager are shown on page 23.

Discount management and share buy-back policy
It remains the Board's primary objective to maintain sufficient resources for investment in existing and new portfolio companies and for the continued payment of dividends to shareholders. The Board's policy is to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interest.

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

Further details of shares bought back during the year ended 31 December 2013 can be found in note 15 of the Financial Statements.

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

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

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

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

Strategic report (continued)

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

Risk	Possible consequence	Risk management
Economic risk	Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and other factors could substantially and adversely affect the Company's prospects in a number of ways.	To reduce this risk, in addition to investing equity in portfolio companies, the Company often invests in secured loan stock and has a policy of not normally permitting any external bank borrowings within portfolio companies. Additionally, the Manager has been rebalancing the sector exposure of the portfolio with a view to reducing reliance on consumer led sectors.
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 its 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 at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.
Valuation risk	The Company's investment valuation methodology is reliant on the accuracy and completeness of information that is issued by portfolio companies. In particular, the Directors may not be aware of or take into account certain events or circumstances which occur after the information issued by such companies is reported.	As described in note 2 of the Financial Statements, the unquoted equity investments, convertible loan stock and debt issued at a discount held by the Company are designated at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. These investments are valued on the basis of forward looking estimates and judgments 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 judgments the valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. All other unquoted loan stock is measured at amortised cost. The values of a number of investments are also underpinned by independent third party professional valuations.

Strategic report (continued)

VCT 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, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed PricewaterhouseCoopers LLP as its taxation advisor. 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. Each investment in a new portfolio company is also pre-cleared with H.M. Revenue & Customs.
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 auditor, lawyers and other professional bodies.
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 meets with the Manager's Internal Auditor, PKF Littlejohn LLP, when required, 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. Jonathan Thornton, as a member of the Audit Committee, met with the internal audit Partner of PKF Littlejohn LLP in January 2014 to discuss the most recent Internal Audit Report on the Manager. 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 29. Measures are in place to mitigate information risk in order to ensure the integrity, availability and confidentiality of information used within the business.
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 further detail, see the management agreement paragraph on pages 22 and 23). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.
Financial risk	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 19 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 for speculative purposes.

On behalf of the Board,

Geoffrey Vero
Chairman
28 March 2014

The Board of Directors

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

Geoffrey Vero (Chairman), 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 Chairman of EPE Special Opportunities Plc and a non-executive director of Numis Corporation Plc, where he chairs the Audit and Risk Committee.

Jonathan Thornton, 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 (now CBPE Capital), the private equity fund management arm of Close Brothers Group plc. Prior to this he worked for 3i plc and Cinven. 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 an external member of the Managers Investment Committee.

Dr. Andrew Phillipps, PhD, MBA (appointed 30 October 2007). Andy co-founded 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 US$161 million in 2004. He was retained to run Priceline's international operations until 2006. He subsequently bought into, and was chairman of the online restaurant booking company, Toptable, which was successfully sold to Opentable in Q4 2010 for US$55 million. He is currently an investor and director of a number of private companies, including i2o Water and Reevoo.com. He also lectures in entrepreneurship at INSEAD and London Business School.

Patrick Reeve, MA, ACA (appointed 12 November 2013) 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 in 1989, working in both the development capital and corporate finance divisions before founding the venture capital division in 1996. He led the buy-out of this business from Close Brothers in 2009, and re-named it Albion Ventures LLP. He is the managing partner of Albion Ventures LLP and is director of Albion Enterprise VCT PLC and Albion Technology & General VCT PLC, both managed by Albion Ventures LLP. He is also Chief Executive Officer of Albion Community Power PLC. He read modern languages at Oxford University. He is a Member of Council of the BVCA and is a member of the Audit Committee of the University College London. He is also a director of UCL Business PLC, the university technology transfer arm.

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

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

All Directors, except for Patrick Reeve, are members of the Remuneration Committee and Jonathan Thornton is Chairman.

The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Conduct Authority and is the Manager of Albion Development VCT PLC. In addition to Albion Development VCT PLC, it manages a further five venture capital trusts, and currently has total funds under management of approximately £240 million.

The following are specifically responsible for the management and administration of the venture capital trusts managed by Albion Ventures LLP, including Albion Development VCT PLC:

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

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

Adam Chirkowski, MA, having graduated in Industrial Economics followed by a Masters in Corporate Strategy, spent five years at N M Rothschild & Sons specialising in mergers and acquisitions; principally in the natural resources and then healthcare sectors, before joining Albion Ventures in 2013, where he currently concentrates on renewable energy projects.

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

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

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

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

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

Henry Stanford, MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group in 1992, becoming an assistant director in 1996. He moved to Albion Ventures in 1998. Henry became a partner in Albion Ventures in 2009. He holds an MA degree in Classics from Oxford University.

Robert Whitby-Smith, BA (Hons), FCA. After graduating in History at Reading University, Robert qualified as a chartered accountant at KPMG and subsequently worked in corporate finance at Credit Suisse First Boston and ING Barings. Since joining in 2005, Robert has assisted in the workout of portfolios formerly managed by other fund managers (now named Crown Place VCT and Kings Arms Yard VCT) and is responsible for investments primarily in the advanced manufacturing and technology sectors. Robert became a partner in Albion Ventures in 2009.

Marco Yu, MPhil, MA, MRICS, spent two and a half years at Bouygues (UK), before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. Since joining Albion Ventures in 2007, Marco has been involved in hotel, cinema, pub, residential property and garden centre investments and is, more recently, responsible for a number of renewable energy investments. Marco graduated from Cambridge University with a first class degree in economics and is a Chartered Surveyor.

Portfolio of investments

Ordinary shares

The following is a summary of fixed asset and current asset investments as at 31 December 2013:

			As at 31 December 2013			As at 31 December 2012			
Asset-backed investments	**% voting rights**	**% voting rights of AVL* managed companies**	**Cost £'000**	**Cumulative movement in value £'000**	**Value £'000**	**Cost £'000**	**Cumulative movement in value £'000**	**Value £'000**	**Change in value for the year** £'000**
Radnor House School (Holdings) Limited	4.2	50.0	**734**	**566**	**1,300**	734	316	1,050	**313**
The Weybridge Club Limited	9.4	50.0	**1,520**	**(354)**	**1,166**	1,520	(273)	1,247	**(81)**
The Street by Street Solar Programme Limited	8.6	50.0	**862**	**204**	**1,066**	862	3	865	**201**
Chonais Holdings Limited	9.2	50.0	**917**	**1**	**918**	–	–	–	**1**
Alto Prodotto Wind Limited	7.8	50.0	**705**	**186**	**891**	705	–	705	**186**
Bravo Inns II Limited	5.0	50.0	**820**	**5**	**825**	690	(4)	686	**9**
Albion Investment Properties Limited	48.4	100.0	**929**	**(167)**	**762**	929	(179)	750	**12**
Taunton Hospital Limited	9.1	50.0	**576**	**149**	**725**	576	(49)	527	**198**
Regenerco Renewable Energy Limited	6.4	50.0	**612**	**40**	**652**	612	–	612	**40**
Kensington Health Clubs Limited	6.9	50.0	**1,124**	**(504)**	**620**	1,124	(416)	708	**(88)**
Tower Bridge Health Clubs Limited	8.4	50.0	**310**	**218**	**528**	363	147	510	**70**
The Q Garden Company Limited	16.6	50.0	**1,198**	**(817)**	**381**	1,198	(753)	445	**(64)**
The Charnwood Pub Company Limited	3.3	50.0	**1,008**	**(675)**	**333**	1,008	(603)	405	**(72)**
AVESI Limited	8.0	50.0	**248**	**–**	**248**	248	–	248	**–**
Dragon Hydro Limited	5.5	30.0	**233**	**–**	**233**	78	–	78	**1**
TEG Biogas (Perth) Limited	3.0	50.0	**182**	**18**	**200**	182	13	195	**5**
Bravo Inns Limited	2.6	50.0	**230**	**(82)**	**148**	230	(85)	145	**3**
Greenenerco Limited	4.0	50.0	**140**	**–**	**140**	140	–	140	**–**
Erin Solar Limited	4.3	50.0	**120**	**–**	**120**	–	–	–	**–**
Premier Leisure (Suffolk) Limited	6.2	47.4	**480**	**(381)**	**99**	480	(376)	104	**(5)**
The Dunedin Pub Company VCT Limited	6.2	50.0	**57**	**(3)**	**54**	62	(3)	59	**–**
Orchard Portman Hospital Limited	n/a***	50.0	**9**	**–**	**9**	9	–	9	**–**
Total asset-backed investments			**13,014**	**(1,596)**	**11,418**	11,750	(2,262)	9,488	**729**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

*** loan stock investment only

Portfolio of investments (continued)

Ordinary shares (continued)

			As at 31 December 2013			As at 31 December 2012			
Growth investments	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Blackbay Limited	7.4	34.9	**819**	**799**	**1,618**	819	326	1,145	**473**
Peakdale Molecular Limited	8.9	14.9	**908**	**163**	**1,071**	908	12	920	**151**
Mirada Medical Limited	7.2	45.0	**240**	**612**	**852**	240	338	578	**274**
Lowcosttravelgroup Limited	4.6	26.1	**435**	**383**	**818**	435	619	1,054	**(236)**
Hilson Moran Holdings Limited	7.5	50.0	**338**	**277**	**614**	533	–	533	**316**
Aridhia Informatics Limited	1.5	6.7	**510**	**5**	**515**	–	–	–	**5**
Relayware Limited	2.3	11.6	**486**	**12**	**498**	–	–	–	**12**
Mi-Pay Limited	5.0	49.4	**758**	**(260)**	**498**	677	(200)	477	**(60)**
DySIS Medical Limited	4.0	28.8	**462**	**(9)**	**453**	428	(76)	352	**67**
Proveca Limited	6.0	33.7	**283**	**16**	**299**	106	1	107	**15**
Process Systems Enterprise Limited	1.1	19.8	**118**	**175**	**293**	118	126	244	**49**
Rostima Holdings Limited	4.8	39.6	**195**	**78**	**273**	163	93	256	**(15)**
Helveta Limited	5.1	41.6	**751**	**(506)**	**245**	681	(371)	310	**(135)**
Masters Pharmaceuticals Limited	1.0	17.1	**175**	**51**	**226**	202	3	205	**51**
Cisiv Limited	1.8	9.1	**193**	**3**	**196**	–	–	–	**3**
AMS Sciences Limited	4.2	49.6	**215**	**(30)**	**185**	194	17	211	**(47)**
MyMeds&Me Limited	3.5	20.0	**175**	**9**	**184**	–	–	–	**9**
memsstar Limited	1.8	28.6	**124**	**54**	**178**	124	21	145	**33**
Silent Herdsmen Holdings Limited	3.6	18.9	**156**	**–**	**156**	–	–	–	**–**
Chichester Holdings Limited	6.7	50.0	**700**	**(557)**	**143**	700	(609)	91	**52**
Oxsensis Limited	1.4	20.6	**213**	**(119)**	**94**	213	(117)	96	**(2)**
Abcodia Limited	1.7	21.4	**68**	**–**	**68**	60	–	60	**–**
Consolidated PR Limited	21.7	43.4	**623**	**(573)**	**50**	623	(199)	424	**(374)**
Total growth investments			**8,945**	**583**	**9,527**	7,224	(16)	7,208	**641**
Total fixed asset investments			**21,959**	**(1,013)**	**20,945**	18,974	(2,278)	16,696	**1,370**

	As at 31 December 2013			As at 31 December 2012			
Current asset investments	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Dexela Limited	**–**	**30**	**30**	–	30	30	**–**
Opta Sports Data Limited	**–**	**6**	**6**	–	–	–	**6**
Total current asset investments	**–**	**36**	**36**	–	30	30	**6**

Total change on value on investments for the year	**1,376**
Realised gain in current year	237
Movement in loan stock accrued interest (net of disposals)	52
Total gains on investments as per Income statement	**1,665**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

Portfolio of investments (continued)

Ordinary shares (continued)

The comparative cost and valuations for 31 December 2012 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2012 as the above list does not include brought forward investments that were fully disposed of in the year.

Investment realisations in the year to 31 December 2013	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Opta Sports Data Limited	165	256	523	358	267
Nelson House Hospital Limited	292	372	364	72	(8)
Hilson Moran Holdings Limited *(loan stock repaid)*	195	234	243	48	9
Prime Care Holdings Limited	558	257	226	(332)	(31)
Radnor House School (Holdings) Limited *(loan stock repaid)*	–	64	66	66	2
Tower Bridge Health Clubs Limited *(loan stock repaid)*	52	52	52	–	–
Masters Pharmaceuticals Limited *(loan stock repaid)*	27	30	30	3	–
The Q Garden Company Limited *(loan stock repaid)*	17	17	17	–	–
GB Pubs Limited	168	14	12	(156)	(2)
Evolutions Group Limited	77	11	11	(66)	–
Dunedin Pub Limited *(loan stock repaid)*	5	5	5	–	–
Total	**1,556**	**1,312**	**1,549**	**(7)**	**237**

Portfolio of investments (continued)

D shares

The following is a summary of fixed asset investments as at 31 December 2013:

			As at 31 December 2013			As at 31 December 2012			
Asset-backed investments	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Radnor House School (Holdings) Limited	4.6	50.0	**800**	**631**	**1,431**	800	358	1,158	**345**
Regenerco Renewable Energy Limited	5.5	50.0	**528**	**35**	**563**	528	–	528	**35**
TEG Biogas (Perth) Limited	7.1	50.0	**428**	**43**	**471**	428	30	458	**13**
The Street by Street Solar Programme Limited	3.8	50.0	**380**	**90**	**470**	380	–	380	**90**
Bravo Inns II Limited	1.7	50.0	**260**	**14**	**274**	210	11	221	**3**
Alto Prodotto Wind Limited	1.5	50.0	**137**	**36**	**173**	137	–	137	**36**
AVESI Limited	2.5	50.0	**76**	**–**	**76**	76	–	76	**–**
Total asset-backed investments			**2,609**	**849**	**3,458**	2,559	399	2,958	**522**
Growth investments									
Masters Pharmaceuticals Limited	2.6	17.1	**437**	**126**	**563**	506	6	512	**126**
Hilson Moran Holdings Limited	4.0	50.0	**180**	**148**	**328**	284	–	284	**169**
Aridhia Informatics Limited	0.5	6.7	**180**	**2**	**182**	–	–	–	**2**
Relayware Limited	0.7	11.6	**154**	**4**	**158**	–	–	–	**4**
Proveca Limited	2.1	33.7	**98**	**5**	**103**	37	–	37	**4**
Abcodia Limited	2.1	21.4	**85**	**–**	**85**	75	–	75	**–**
MyMeds&Me Limited	1.2	20.0	**60**	**3**	**63**	–	–	–	**3**
Cisiv Limited	0.5	9.1	**60**	**1**	**61**	–	–	–	**1**
Silent Herdsmen Holdings Limited	1.2	18.9	**51**	**–**	**51**	–	–	–	**–**
Total growth investments			**1,305**	**289**	**1,594**	902	6	908	**309**
Total fixed asset investments			**3,914**	**1,138**	**5,052**	3,461	405	3,866	**831**

Total change on value on investments for the year	**831**
Realised loss in current year	(16)
Movement in loan stock accrued interest (net of disposals)	(6)
Total gains on investments as per Income statement	**809**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

The comparative cost and valuations for 31 December 2012 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2012 as the above list does not include brought forward investments that were fully disposed of in the year.

Investment realisations in the year to 31 December 2013	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain £'000	(Loss)/gain on opening value £'000
Nelson House Hospital Limited	839	1,067	1,044	205	(23)
Hilson Moran Holdings Limited *(loan stock repaid)*	104	125	130	26	5
Masters Pharmaceuticals Limited *(loan stock repaid)*	69	75	77	8	2
Radnor House School (Holdings) Limited *(loan stock repaid)*	–	72	72	72	–
Total	**1,012**	**1,339**	**1,323**	**311**	**(16)**

Portfolio companies

The top ten investments by total aggregate value of equity and loan stock are as shown below.

For the purpose of the valuation process, the latest company financial information is used. The accounting information disclosed below is the latest as filed at Companies House.

Radnor House School (Holdings) Limited

Radnor House is a co-educational independent day school in Twickenham, which opened in September 2011. It is located in historic buildings on the banks of the River Thames in South West London. In its first Ofsted inspection the school was graded Outstanding in all categories, placing it in the top 0.5% of all schools in the UK inspected by Ofsted.

	Audited results year to 31 August 2013 £'000
Turnover	3,602
EBITDA	1,105
Profit before tax	168
Net liabilities	(156)
Basis of valuation:	Net asset value supported by third party valuation

Investment information	**Ordinary shares £'000**	**D shares £'000**
Income recognised in the year	33	34
Total cost	734	800
Total valuation	1,300	1,431
Voting rights	4.2 per cent.	4.6 per cent.

Website: www.radnorhouse.org
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Blackbay Limited

The company provides enterprise mobility solutions mainly for the postal logistics and field service sectors.

	Audited results year to 31 December 2012 £'000
Turnover	7,598
EBITDA	(410)
Loss before tax	(1,086)
Net liabilities	(2,352)
Basis of valuation:	Revenue multiple

Investment information	**Ordinary shares £'000**	**D shares £'000**
Income recognised in the year	39	–
Total cost	819	–
Total valuation	1,618	–
Voting rights	7.4 per cent.	–

Website: www.blackbay.com
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 34.9 per cent.

The Street by Street Solar Programme Limited

The company installs, owns and operates domestic photovoltaic systems on homes in England.

	Audited results year to 30 November 2012 £'000
Turnover	495
Loss before tax	(370)
Net assets	1,031
Basis of valuation:	Net asset value supported by third party valuation

Investment information	**Ordinary shares £'000**	**D shares £'000**
Income recognised in the year	78	36
Total cost	862	380
Total valuation	1,066	470
Voting rights	8.6 per cent.	3.8 per cent.

Website: www.engensa.com
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Regenerco Renewable Energy Limited

The Company installs, owns and operates a portfolio of photovoltaic systems on small and medium enterprises and social housing with a total capacity above 2.3MW.

	Audited results year to 30 November 2012 £'000
Turnover	382
Loss before tax	(300)
Net assets	1,073
Basis of valuation:	Net asset value supported by third party valuation

Investment information	**Ordinary shares £'000**	**D shares £'000**
Income recognised in the year	35	30
Total cost	612	528
Total valuation	652	563
Voting rights	6.4 per cent.	5.5 per cent.

Website: www.regenerco.co.uk
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

The Weybridge Club Limited

The company owns a 30 acre freehold site near to the centre of Weybridge in Surrey, which has been developed into a premium health and fitness club.

	Audited results year to 30 September 2012 £'000
Turnover	1,848
EBITDA	471
Loss before tax	(997)
Net liabilities	(3,289)
Basis of valuation:	Net asset value supported by third party valuation

Investment information	**Ordinary shares £'000**	**D shares £'000**
Income recognised in the year	15	–
Total cost	1,520	–
Total valuation	1,166	–
Voting rights	9.4 per cent.	–

Website: www.theweybridgeclub.com
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Portfolio companies (continued)

Bravo Inns II Limited

The company was formed in September 2007 and owns and operates 23 freehold pubs in the North of England. The pubs are trading well with considerable demand for their value offering.

	Audited results year to 31 March 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	4,871	Income recognised in the year	64	22
EBITDA	654	Total cost	820	260
Loss before tax	(378)	Total valuation	825	274
Net assets	2,678	Voting rights	5.0 per cent.	1.7 per cent.
Basis of valuation:	Net asset value supported by third party valuation			

Website: www.bravoinns.com
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Peakdale Molecular Limited

The company is principally involved in the 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.

	Audited results year to 31 March 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	9,107	Income recognised in the year	–	–
Profit before tax	1	Total cost	908	–
Net assets	5,583	Total valuation	1,071	–
Basis of valuation:	Earnings multiple	Voting rights	8.9 per cent.	–

Website: www.peakdale.co.uk
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 14.9 per cent.

Alto Prodotto Wind Limited

Alto Prodotto Wind is a company which builds, owns and operates medium scale (100kWp to 1500kWp) wind projects in the UK.

	Audited results year to 31 March 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	1	Income recognised in the year	43	14
Loss before tax	(108)	Total cost	705	137
Net assets	1,295	Total valuation	891	173
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	7.8 per cent.	1.5 per cent.

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

Hilson Moran Holdings Limited

Multi-disciplinary engineering consultancy.

	Audited results year to 31 December 2012 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	16,381	Income recognised in the year	30	16
Loss before tax	(193)	Total cost	338	180
Net assets	1,590	Total valuation	615	328
Basis of valuation:	Earnings multiple	Voting rights	7.5 per cent.	4.0 per cent.

Website: www.hilsonmoran.com
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 50.0 per cent.

Chonais Holdings Limited

A company that is developing and will operate a 2 megawatt hydro-power scheme in the Scottish Highlands.

The company was incorporated on 26 June 2013 and has not yet filed accounts at Companies House.

		Investment information	Ordinary shares £'000	D shares £'000
		Income recognised in the year	1	–
		Total cost	917	–
		Total valuation	918	–
Basis of valuation:	Cost	Voting rights	9.2 per cent.	–

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

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

Directors' report

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Development VCT PLC (the "Company") for the year ended 31 December 2013.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ('HMRC') as a venture capital trust in accordance with the Income Tax Act 2007 and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007 and further details of this can be found on page 10 of the Strategic report. Approval for the year ended 31 December 2013 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

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

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

Capital structure

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

The Company's share capital comprises Ordinary shares and D shares. As at 31 December 2013, Ordinary shares represented 84.2 per cent. of the total voting rights and D shares 15.8 per cent. of the total voting rights.

The Ordinary shares and D shares are designed for individuals who are professionally advised private investors, seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments. The investments are spread over a number of sectors, to produce a regular and predictable source of income, combined with the prospect of longer term capital growth.

Both Ordinary shares and D shares currently rank *pari passu* for voting rights, save in respect of specific resolutions impacting their class, such as in the case of a reconstruction. Each Ordinary share and D share is entitled to one vote.

Ordinary and D shareholders are entitled to receive dividends paid out of the reserves attributable to their respective class of shares. Ordinary and D shareholders are entitled to the return on capital on winding up or other return on capital based on the surpluses attributable to their respective class of shares.

The Articles of the Company provide for the conversion of D shares into Ordinary shares in a ratio determined by the net asset values of each class.

Issue and buy-back of Ordinary shares and D shares

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on www.albion-ventures.co.uk/Our Funds/Albion Development VCT PLC/Investor Centre under the Dividend Reinvestment Scheme section. During the year, the Company issued 208,128 new Ordinary shares and 35,215 D shares under the Dividend Reinvestment Scheme. Further details are shown in note 15.

The Company is currently engaged in the Albion VCTs Top Up Offers 2013/2014 for which a prospectus has recently been published, copies of which are available on the Albion Ventures' website at www.albion-ventures.co.uk.

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

Substantial interests and shareholder profile

As at 31 December 2013 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the aggregate voting rights of the Company. There have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 December 2013, and to the date of this report.

Results and dividends

Detailed information on the results and dividends for the year ended 31 December 2013 can be found in the Strategic report on pages 8 and 9.

Going concern

In accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 issued by the Financial Reporting Council, the Board has assessed the Company's operation as a going concern. The Company has significant cash and liquid resources, its portfolio of investments is well diversified in terms of sector, and the major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 19. The Company's business activities, together with details of its performance are shown in the Strategic report and this Directors' report.

Post balance sheet events
Details of events that have occurred since 31 December 2013 are shown in note 21.

Principal risks and uncertainties
A summary of the principal risks faced by the Company is set out on pages 11 to 12 of the Strategic report.

Environment
The management and administration of the Company is undertaken by the Manager, Albion Ventures LLP. 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.

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

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

Albion Ventures LLP has reviewed the anti-bribery policies and procedures of all portfolio companies.

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

More details on the Directors can be found in the Board of Directors section on page 13.

The Manager has an equal opportunities policy and currently employees 11 men and 11 women working at 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 interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 31.

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

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

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

Re-election and election of Directors
Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code. At the forthcoming Annual General Meeting, Andrew Phillipps will retire by rotation in accordance with the Articles and Jonathan Thornton, having served as a Director for longer than nine years, will retire and offer himself for re-election. As Patrick Reeve, who is not considered to be an independent Director as he is managing partner of Albion Ventures LLP, has been appointed since the last Annual General Meeting, he will also retire and be subject to election at the forthcoming Annual General Meeting. Patrick Reeve will not receive any remuneration for his services as Director of the Company.

Management agreement
Under the Management agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management agreement may

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

Total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value.

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

Management performance incentive

The management performance incentive structure sets a minimum target level whereby no performance fee is payable to the Manager until the total return exceeds 6.5 pence per share per annum from a base on 1 January 2007 of 98.7 pence for the Ordinary shares and 100 pence for the D shares from the date of first admission of those shares. If the target return is not achieved in a period, the cumulative shortfall is carried forward to the next accounting period and has to be made up before an incentive fee becomes payable. To the extent that the total return exceeds the threshold over the relevant period, a performance fee will be paid to the Manager of an amount equal to 20 per cent. of the excess.

There was no management performance incentive fee payable during the year (2012: nil).

Evaluation of the manager

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

Alternative Investment Fund Managers Directive ("AIFMD")

The Board has considered the impact on your Company of the AIFMD, an EU Directive that came into force in July 2013 to regulate the Managers of Alternative Investment Funds. The Board has agreed to appoint Albion Ventures LLP as the Company's AIFM as required by the AIFMD. This will not impact on the day-to-day investment activities.

Advising ordinary retail investors

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

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.

Auditor

As a result of PKF (UK) LLP entering a business combination with BDO LLP on 28 March 2013, PKF (UK) LLP resigned as Auditor of the Company on 30 April 2013 and BDO LLP was appointed to fill the casual vacancy. The Company wrote to Shareholders on 9 May 2013 informing them of this change. The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services. A resolution to appoint BDO LLP will be put to the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London, EC2N 1DS at 11:00 am on 4 June 2014. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against', and 'withheld'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution. A summary of proxies lodged at the Annual General Meeting will be published at www.albion-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 Act or the Listing Rules of the Financial Conduct Authority.

Directors' report (continued)

Power to allot shares
Ordinary resolution number 9 will request the authority to allot up to 10 per cent. of the issued Ordinary and D share capital.

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

The Directors current intention is to allot shares under any Albion VCTs Share Offers, the Dividend Reinvestment Schemes and reissuing treasury shares where it is in the Company's interest to do so.

The Company currently holds 3,769,000 Ordinary shares in treasury representing 9.99 per cent. of the Ordinary share capital in issue as at 31 December 2013.

The Company currently holds 25,625 D shares in treasury representing 0.40 per cent. of the D share capital in issue as at 31 December 2013.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2013. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Dis-application of pre-emption rights
Special resolution number 10 will request authority for Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum of 10 per cent. of the issued Ordinary and D share capital of the Company as at the date of this Report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2013. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier. Members should note that this resolution also applies to treasury shares.

Purchase of own shares
Special resolution number 11 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital and issued D share capital at, or between, the minimum and maximum prices specified in resolution 11. 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 2013 authority, which was on similar terms. During the financial year under review, the Company purchased 605,000 Ordinary shares for cancellation, 341,000 Ordinary shares for treasury, 31,587 D shares for cancellation and 25,625 D shares for treasury. Further information is shown in note 15.

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

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 these resolutions is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

Special resolution number 12 will request the authority to permit Directors to sell treasury shares at the higher of the prevailing share price and the price bought in at.

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

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

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

Directors' report (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable UK accounting standards subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare a Strategic report, a Director's report and Director's remuneration report which comply with the requirements of the Companies Act 2006.

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

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's web page on the Manager's website (www.albion-ventures.co.uk) in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

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

The Directors confirm to the best of their knowledge:

- The Financial Statements which have been prepared in accordance with UK Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and profit of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description or the principal risks and uncertainties that they face.

Disclosure of information to the Auditor

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

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

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

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King's Arms Yard
London, EC2R 7AF
28 March 2014

Statement of corporate governance

Background
The Financial Conduct Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council ("FRC") in September 2012.

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 the UK Corporate Governance 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 UK Corporate Governance Code), will provide better information to shareholders than reporting under the Code alone.

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

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

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

Given the small size of the Board and as the Board comprises wholly non-executive Directors, it has historically not been considered necessary to appoint a Senior Independent Director. However, given the provisions of the UK Corporate Governance Code 2012, the Board has appointed Jonathan Thornton as Senior Independent Director with effect from 3 April 2013.

Geoffrey Vero is the Chairman of the Company, and he, Andrew Phillipps and Jonathan Thornton are considered independent Directors. Patrick Reeve is not an independent Director as he is Managing Partner of Albion Ventures LLP, the Manager.

David Pinckney retired from the Board on 6 June 2013. Patrick Reeve was appointed on 12 November 2013. The Board considered that the use of an external search consultancy was not necessary, given that the Board had direct access to information regarding candidates in the market with direct VCT board experience.

Jonathan Thornton has been a Director of the Company for more than nine years and, in accordance with the recommendations of the AIC code, is subject to annual re-election. The Board does not consider that a Director's length of service reduces his ability to act independently of the Manager. Patrick Reeve is also subject to annual re-election as he is not considered to be an Independent Director.

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 13. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the UK Corporate Governance Code, the Company has in place Directors' & Officers' Liability Insurance.

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to experience and balance of skills. Further details on the recruitment of new directors can be found in the Nomination Committee section on page 29.

The Board met four times during 2013 as part of its regular programme of Board meetings. In addition, and in accordance with best practice, a further meeting took place without the Manager present. All of the Directors attended each meeting with the exception of David Pinckney who having retired on 6 June 2013, attended two meetings during the year. A sub-committee comprising at least two directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the Albion VCTs Top Up Offers 2012/2013. A sub-committee comprising at least two Directors also met during the year to approve the terms and contents of the Offer documents under the Albion VCTs Top Up Offers 2013/2014.

Statement of corporate governance (continued)

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

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

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

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

Committees' and Directors' performance evaluation
Performance of the Board and the Directors is assessed on the following bases:

- attendance at Board and Committee meetings;
- the contribution made by individual Directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman (or in the case of the Chairman's review, by the other Director's).

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

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

As a result of the performance evaluation process, Andrew Phillipps and Jonathan Thornton both of whom are subject to re-election at the forthcomeing Annual General Meeting, are considered to be effective Directors and demonstrate strong commitment to the role. Patrick Reeve is also subject to election, as he is not considered to be an independent Director and has been appointed since the last Annual General Meeting. The Board believes it to be in the best interests of the Company to appoint these Directors at the forthcoming Annual General Meeting.

Remuneration Committee
Jonathan Thornton is Chairman of the Remuneration Committee and all of the Directors, except Patrick Reeve, are members of this Committee. The Committee meets once a year and held one formal meeting during the year which was fully attended by all the Directors. Directors' salaries have not increased since 2005.

The terms of reference for the Remuneration Committee can be found on the Company's website at www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Albion Development VCT PLC and looking under the Corporate Governance section.

Audit Committee
The Audit Committee consists of all Directors, except Patrick Reeve, and Jonathan Thornton was appointed Chairman of the Audit Committee following David Pinckney's retirement. 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 2013; all members attended with the exception David Pinckney who having retired on 6 June 2013 attended only one meeting.

Written terms of reference have been constituted for the Audit Committee and can be found on the Company's website at

Statement of corporate governance (continued)

www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Albion Development VCT PLC and looking under the Corporate Governance section.

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

- formally reviewing the final Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring judgment and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the external Auditor and reviewing their findings;
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board;
- highlighting the key risks and specific issues relating to the Financial Statements including the reasonableness of valuations, compliance with accounting standards and UK law, corporate governance and listing and disclosure rules as well as going concern. These issues were addressed through detailed review, discussion and challenge by the Board of these matters, as well as by reference to underlying technical information;
- advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- (after the year end) reporting to the Board on how it has discharged its responsibilities.

Financial Statements

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

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

The valuation of the Company's investments

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

Revenue recognition

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

Following a review of several iterations of the Annual Report and Financial Statements and consideration of the key areas of risk identified, the Directors have concluded that, taken as a whole, the Annual Report and Financial Statements are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Relationship with the external Auditor

The Committee reviews the performance and continued suitability of the Company's external Auditor on an annual basis. They assess the external Auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external Auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. No non-audit services were provided during the financial year ended 31 December 2013.

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

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

In order to form a view of the effectiveness of the external audit process, the Committee took into account information from the Manager regarding the audit process, the formal documentation issued to the Audit Committee and the Board by the external Auditor regarding the external audit for the year ended 31 December 2013, and assessments made by individual Directors.

Statement of corporate governance (continued)

In 2007 the Audit Committee undertook a tendering exercise for provision of audit services. As a result of this process, PKF (UK) LLP was appointed as Auditor with effect from 2008.

The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services. The Committee has obtained sufficient assurance from their own evaluation and the audit feedback documentation. PKF (UK) LLP entered into a business combination with BDO LLP on 28 March 2013. PKF (UK) LLP resigned as Auditor of the Company on 30 April 2013 and BDO LLP was appointed to fill the casual vacancy. Based on the assurance obtained, the Committee recommended to the Board a resolution to appoint BDO LLP as Auditor at the forthcoming Annual General Meeting.

Nomination Committee

The Nomination Committee consists of all Directors, except Patrick Reeve, with Geoffrey Vero as Chairman. Given the size of the Board, this facilitates more effective and efficient communication. 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 met once during the year and approved Patrick Reeve to become a Director on 12 November 2013.

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

Terms of reference for the Nomination Committee can be found on the Company's website at www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Albion Development VCT PLC and looking within the Corporate Governance section.

Internal control

In accordance with the UK Corporate Governance Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the UK Corporate Governance 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, acknowledging that such a system is designed to manage, rather than eliminate, the risks of failure to achieve the Company's business objectives, such controls can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

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

During the year, as the Board has delegated the investment management and administration to Albion Ventures LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board had access to PKF Littlejohn LLP, which, as internal Auditor for Albion Ventures LLP undertakes periodic examination of the business processes and controls environment at Albion Ventures LLP, and ensures that any recommendations to implement improvements in controls are carried out. During the year, the

Statement of corporate governance (continued)

Audit Committee and the Board reviewed internal audit reports prepared by PKF Littlejohn LLP. The Board and the Audit Committee will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

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

Capital structure and Articles of Association
Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on page 21 of the Directors' report. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

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

Relationships with shareholders
The Company's Annual General Meeting on 4 June 2014 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

Shareholders 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.

For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:

Tel: 0870 873 5853
(UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls may be recorded)
Website: www.investorcentre.co.uk

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

For enquiries relating to the performance of the Fund, and for financial advisers' information please contact Albion Ventures LLP:

Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded)
Email: info@albion-ventures.co.uk
Website: www.albion-ventures.co.uk

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

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

Statement of compliance
The Directors consider that the Company has complied throughout the year ended 31 December 2013 with all the relevant provisions set out in the Code issued in September 2012 and with the AIC Code of Corporate Governance. The Company continues to comply with the Code issued in September 2012, as at the date of this report.

By Order of the Board

Geoffrey Vero
Chairman
1 King's Arms Yard
London, EC2R 7AF
28 March 2014

Directors' remuneration report

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

Ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 4 June 2014 for the approval of the Directors' Remuneration Policy and the Annual Remuneration Report as set out below.

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

Annual statement from the Chairman of the Remuneration Committee
The Remuneration Committee comprises all of the Directors excluding Patrick Reeve, with Jonathan Thornton as Chairman.

Directors' salaries have not increased since 2005. The Remuneration Committee met once during the year to review Directors responsibilities and salaries against the market and concluded that the current level of remuneration was in line with expectation. Following his appointment, Patrick Reeve has agreed to waive his fees for his services.

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.

In accordance with the new reporting requirements, an Ordinary resolution for the approval of the Remuneration policy of the Company, to remain in force for a three year period, will be put to members at the AGM and will be effective from that date.

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.

Assuming this policy is approved by Shareholders at the forthcoming Annual General Meeting, it is intended that this policy will continue for the year ended 31 December 2014 and subsequent years. An ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at least once every three years.

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

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

Shareholders' views in respect of Directors' remuneration are regarded highly and the Board encourages Shareholders' to attend its Annual General Meeting in order to communicate their thoughts, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 97.3% of shareholders voted for the resolution approving the Directors' Remuneration Report which shows significant Shareholder support.

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

	31 December 2013 Ordinary Shares	**31 December 2013 D shares**	31 December 2012 Ordinary shares	31 December 2012 D shares
Andrew Phillipps	**137,606**	**25,625**	137,606	25,625
David Pinckney (retired 6 June 2013)	**n/a**	**n/a**	5,000	–
Patrick Reeve (appointed 12 November 2013)	**63,647**	**40,849**	n/a	n/a
Jonathan Thornton	**90,595**	**10,400**	88,091	10,400
Geoffrey Vero	**25,820**	**10,400**	17,957	10,400
Total	**317,668**	**87,274**	248,654	46,425

There have been no further changes in the holdings of the Directors between 31 December 2013 and the date of this report.

Partners and staff of Albion Ventures LLP, the Manager, hold a total of 55,658 Ordinary and 86,546 D shares in the Company.

Directors' remuneration report (continued)

Annual report on remuneration
The remuneration of individual Directors' is determined by the Remuneration Committee within the framework set by the Board. The Committee comprises all Directors, save for Patrick Reeve, and is chaired by Jonathan Thornton. The Committee meets at least once a year and met once during the year under review with full attendance from all of its members.

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

Directors' remuneration
The following items have been audited.

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

	31 December 2013	31 December 2012
	£'000	£'000
Jonathan Thornton	**20.5**	20.5
Andrew Phillipps	**20.5**	20.5
David Pinckney*	**9.0**	20.5
Geoffrey Vero	**20.5**	20.5
Albion Ventures LLP (for Patrick Reeve's services)**	**–**	n/a
	70.5	82.0

* David Pinckney retired on 6 June 2013.

** Patrick Reeve was appointed on 12 November 2013 and has waived his fees for his services as a Director.

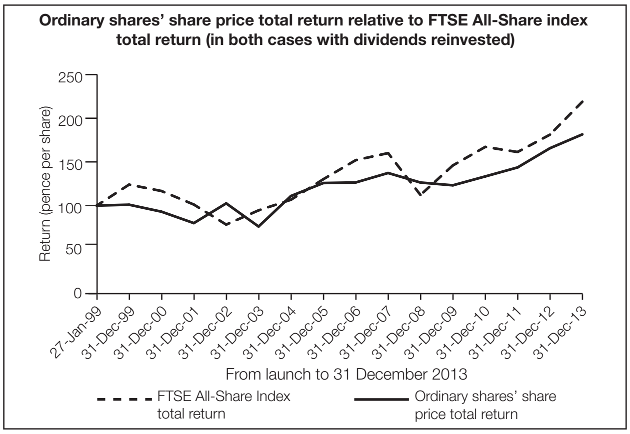
The Company does not confer any share options, long term incentives or retirement benefits to any Director, nor does it make a contribution to any pension scheme on behalf of the Directors.

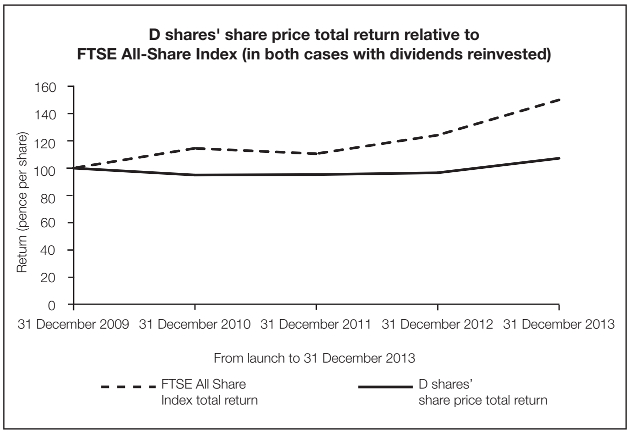
Each Director of the Company was remunerated personally through the Manager's payroll which has been recharged to the Company, save for Jonathan Thornton whose services were provided by Jonathan Thornton Limited during the year.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £9,540 (2012: £9,540).

Performance graph
The graphs below show Albion Development VCT PLC's Ordinary and D shares' price total return against the FTSE All-Share Index total return, in both instances with dividends reinvested, since launch. The Directors consider this to be the most appropriate benchmark for the Company. Investors should, however, be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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





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

Relative importance of spend on pay
As the Company has no employees other than the Directors, the Committee does not consider it meaningful to present a table comparing remuneration paid to employees with distribution to shareholders.

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King's Arms Yard
London, EC2R 7AF
28 March 2014

Independent Auditor's 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 2013 which comprise the income statement, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement and our audit approach to these risks

We identified the following risks that we consider to have had the greatest impact on our audit strategy and scope:

- **The assessment of the carrying value of investments, particularly unquoted investments**

  This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the funds, derived using those valuations.

  We challenged the assumptions inherent in the valuation of unquoted investments and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements. Our audit procedures included reviewing the historical financial statements and recent management information available for the unquoted investments used to support assumptions about maintainable earnings used in the valuations, considering the multiples applied by reference to independent market data and challenging the adjustments made to such market data in arriving at the valuations adopted. Where alternative assumptions could reasonably be applied, we developed our own point estimates and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

  Where other valuation approaches were adopted, in addition to challenging the assumptions used, we considered the appropriateness of the valuation techniques adopted by reference to both the circumstances of the investee company and the International Private Equity and Venture Capital Valuation guidelines.

- **Revenue recognition**

  Revenue consists of dividends receivable from investee companies and interest earned on loans to investee companies and cash balances. Revenue recognition is considered to be a significant audit risk as it is often a key factor in demonstrating the performance of the portfolio. In particular, as the company invests primarily in unquoted companies, dividends receivable can be difficult to predict.

  We considered the controls relating to revenue recognition and undertook testing of interest income by comparing actual income to expectations generated using the interest rates in the loan instruments. We considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest. We also reviewed the recognition and classification of any accrued income, considering the appropriateness of the classification of income between revenue and capital in the Income Statement.

  We also tested dividends receivable through comparing actual income to expectations set based on independent published data on dividends declared by the investee companies held. We tested the categorisation of dividends received from investee companies between revenue and capital.

  The Audit Committee's consideration of these key issues is set out on pages 28 to 29.

Independent Auditor's report to the Members of Albion Development VCT PLC (continued)

Purpose of this report

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

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements and our application of materiality

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

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

We determined materiality for the financial statements as a whole to be £520,000. In determining this, we based our assessment on a percentage of fixed asset investments held at fair value which reflects the underlying level of precision within the valuation of the investment portfolio and the range of reasonably possible alternative valuations that could be expected to apply to the unquoted investments. On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement was that performance materiality for the financial statements should be 75% of materiality for the financial statements as a whole, namely £390,000. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our materiality of £520,000 for the financial statements as a whole.

International Standards on Auditing (UK & Ireland) also require the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to those classes of transactions and balances which impact on the costs and the net realised returns of the company. We determined materiality for this area to be £70,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 26 to 30 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Independent Auditor's report to the Members of Albion Development VCT PLC (continued)

Matters on which we are required to report by exception

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 21 and 22 in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Rhodri Whitlock (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
28 March 2014

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

Income statement

		Combined Year ended 31 December 2013			Combined Year ended 31 December 2012		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	**2,474**	**2.474**	–	1,410	1,410
Investment income	4	**1,059**	**–**	**1,059**	1,177	–	1,177
Investment management fees	5	**(177)**	**(532)**	**(709)**	(165)	(499)	(664)
Other expenses	6	**(196)**	**–**	**(196)**	(235)	–	(235)
Return on ordinary activities before tax		**686**	**1,942**	**2,628**	777	911	1,688
Tax (charge)/credit on ordinary activities	8	**(114)**	**119**	**5**	(172)	128	(44)
Return attributable to shareholders		**572**	**2,061**	**2,633**	605	1,039	1,644

The accompanying notes on pages 47 to 64 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 return on ordinary activities before tax and the historical return is due to the fair value movements on investments. As a result a note on historical cost profit and losses has not been prepared.

Disclosure of basic and diluted earnings per share is given in the underlying Ordinary and D share Income statements on the following page.

Income statement **(non-statutory analysis)**

		Ordinary shares Year ended 31 December 2013			Ordinary shares Year ended 31 December 2012		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	1,665	1,665	–	921	921
Investment income	4	731	–	731	928	–	928
Investment management fees	5	(141)	(422)	(563)	(132)	(396)	(528)
Other expenses	6	(152)	–	(152)	(183)	–	(183)
Return on ordinary activities before tax		438	1,243	1,681	613	525	1,138
Tax (charge)/credit on ordinary activities	8	(59)	92	33	(132)	101	(31)
Return attributable to shareholders		379	1,335	1,714	481	626	1,107
Basic and diluted return per share (pence)*	10	1.10	4.00	5.10	1.50	2.00	3.50

		D shares Year ended 31 December 2013			D shares Year ended 31 December 2012		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	809	809	–	489	489
Investment income	4	328	–	328	249	–	249
Investment management fees	5	(36)	(110)	(146)	(33)	(103)	(136)
Other expenses	6	(44)	–	(44)	(52)	–	(52)
Return on ordinary activities before tax		248	699	947	164	386	550
Tax (charge)/credit on ordinary activities	8	(55)	27	(28)	(40)	27	(13)
Return attributable to shareholders		193	726	919	124	413	537
Basic and diluted return per share (pence)*	10	3.00	11.40	14.40	1.90	6.50	8.40

* *excluding treasury shares*

The accompanying notes on pages 47 to 64 form an integral part of these Financial Statements.

Balance sheet

	Note	Combined 31 December 2013 £'000	Combined 31 December 2012 £'000
Fixed asset investments	11	**25,997**	22,540
Current assets			
Trade and other debtors	13	**99**	282
Current asset investments	13	**36**	530
Cash at bank and in hand	17	**6,210**	7,131
		6,345	7,943
Creditors: amounts falling due within one year	14	**(340)**	(378)
Net current assets		**6,005**	7,565
Net assets		**32,002**	30,105
Capital and reserves			
Called up share capital	15	**441**	421
Share premium		**2,343**	392
Capital redemption reserve		**8**	2
Unrealised capital reserve		**125**	(2,046)
Realised capital reserve		**3,772**	3,326
Other distributable reserve		**25,313**	28,010
Total equity shareholders' funds		**32,002**	30,105

The accompanying notes on pages 47 to 64 form an integral part of these Financial Statements.

Disclosure of basic and diluted net asset value per share is given in the underlying Ordinary and D shares Balance sheets on the following pages.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 28 March 2014 and were signed on its behalf by

Geoffrey Vero
Chairman

Company number: 03654040

Balance sheet (non-statutory analysis)

	Note	Ordinary shares 31 December 2013 £'000	Ordinary shares 31 December 2012 £'000
Fixed asset investments	11	**20,945**	17,606
Current assets			
Trade and other debtors	13	**95**	202
Current asset investments	13	**36**	30
Cash at bank and in hand	17	**4,330**	6,309
		4,461	6,541
Creditors: amounts falling due within one year	14	**(231)**	(287)
Net current assets		**4,230**	6,254
Net assets		**25,175**	23,860
Capital and reserves			
Called up share capital	15	**377**	357
Share premium		**2,304**	383
Capital redemption reserve		**8**	2
Unrealised capital reserve		**(987)**	(2,661)
Realised capital reserve		**3,731**	3,514
Other distributable reserve		**19,742**	22,265
Total equity shareholders' funds		**25,175**	23,860
Basic and diluted net asset value per share (pence)*	16	**74.10**	74.00

** excluding treasury shares*

The accompanying notes on pages 47 to 64 form an integral part of these Financial Statements.

Balance sheet (non-statutory analysis)

	Note	**D shares 31 December 2013 £'000**	D shares 31 December 2012 £'000
Fixed asset investments	11	**5,052**	4,934
Current assets			
Trade and other debtors	13	**4**	80
Current asset investments	13	**–**	500
Cash at bank and in hand	17	**1,880**	822
		1,884	1,402
Creditors: amounts falling due within one year	14	**(109)**	(91)
Net current assets		**1,775**	1,311
Net assets		**6,827**	6,245
Capital and reserves			
Called up share capital	15	**64**	64
Share premium		**39**	9
Unrealised capital reserve		**1,112**	615
Realised capital reserve		**41**	(188)
Other distributable reserve		**5,571**	5,745
Total equity shareholders' funds		**6,827**	6,245
Basic and diluted net asset value per share (pence)*	16	**107.40**	97.90

** excluding treasury shares*

The accompanying notes on pages 47 to 64 form an integral part of these Financial Statements.

Reconciliation of movements in shareholders' funds

Combined

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 January 2013	**421**	**392**	**2**	**(2,046)**	**3,326**	**28,010**	**30,105**
Return for the year	–	–	–	2,253	(191)	572	2,633
Transfer of unrealised gains to realised gains	–	–	–	(82)	82	–	–
Purchase of shares for treasury	–	–	–	–	–	(261)	(261)
Purchase of shares for cancellation	(6)	–	6	–	–	(441)	(441)
Issue of equity (net of costs)	26	1,951	–	–	–	–	1,977
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	555	(555)	–
Dividends paid	–	–	–	–	–	(2,012)	(2,012)
As at 31 December 2013	**441**	**2,343**	**8**	**125**	**3,772**	**25,313**	**32,002**
As at 1 January 2012	20,088	636	1,917	(3,143)	2,713	6,603	28,814
Return/(loss) for the year	–	–	–	1,058	(19)	605	1,644
Transfer of unrealised losses to realised losses	–	–	–	39	(39)	–	–
Reduction in share capital and cancellation of capital redemption and share premium reserves**	(20,446)	(1,139)	(2,204)	–	–	23,789	–
Cancellation of treasury shares	(20)	–	20	–	–	–	–
Purchase of shares for cancellation	(269)	–	269	–	–	(499)	(499)
Issue of equity (net of costs)	1,068	895	–	–	–	–	1,963
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	671	(671)	–
Dividends paid	–	–	–	–	–	(1,817)	(1,817)
As at 31 December 2012	421	392	2	(2,046)	3,326	28,010	30,105

* Included within these reserves is an amount of £29,085,000 (2012: £29,290,000) which is considered distributable.

** The reduction in the nominal value of shares from 50 pence to 1 penny and the cancellation of the capital redemption and share premium reserves (as approved by shareholders at the Annual General Meeting held on 15 June 2012 and by order of the Court dated 11 July 2012) has increased the value of distributable reserves.

A transfer of £555,000 (2012: £671,000) representing gross realised losses on disposal of investments during the year ended 31 December 2013 has been made from the other distributable reserve to the realised capital reserve.

Reconciliation of movements in shareholders' funds

Ordinary shares (non-statutory analysis)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 January 2013	**357**	**383**	**2**	**(2,661)**	**3,514**	**22,265**	**23,860**
Return/(loss) for the year	–	–	–	1,428	(92)	379	1,714
Transfer of unrealised losses to realised losses	–	–	–	246	(246)	–	–
Purchase of shares for treasury	–	–	–	–	–	(238)	(238)
Purchase of shares for cancellation	(6)	–	6	–	–	(414)	(414)
Issue of equity (net of costs)	26	1,921	–	–	–	–	1,947
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	555	(555)	–
Dividends paid	–	–	–	–	–	(1,695)	(1,695)
As at 31 December 2013	**377**	**2,304**	**8**	**(987)**	**3,731**	**19,742**	**25,175**
As at 1 January 2012	16,912	631	1,917	(3,269)	2,825	3,889	22,905
Return for the year	–	–	–	569	57	481	1,107
Transfer of unrealised losses to realised losses	–	–	–	39	(39)	–	–
Reduction of share capital and cancellation of capital redemption and share premium reserves**	(17,327)	(1,129)	(2,204)	–	–	20,660	–
Cancellation of treasury shares	(20)	–	20	–	–	–	–
Purchase of shares for cancellation	(269)	–	269	–	–	(499)	(499)
Issue of equity (net of costs)	1,061	881	–	–	–	–	1,942
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	671	(671)	–
Dividends paid	–	–	–	–	–	(1,595)	(1,595)
As at 31 December 2012	357	383	2	(2,661)	3,514	22,265	23,860

* Included within these reserves is an amount of £22,486,000 (2012: £23,118,000) which is considered distributable.

** The reduction in the nominal value of shares from 50 pence to 1 penny and the cancellation of the share premium reserve (as approved by shareholders at the Annual General Meeting held on 15 June 2012 and by order of the Court dated 11 July 2012) has increased the value of distributable reserves.

A transfer of £555,000 (2012: £671,000) representing gross realised losses on disposal of investments during the year ended 31 December 2013 has been made from the other distributable reserve to the realised capital reserve.

Reconciliation of movements in shareholders' funds

D shares (non-statutory analysis)

	Called-up share capital £'000	Share premium £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 January 2013	**64**	**9**	**615**	**(188)**	**5,745**	**6,245**
Return/(Loss) for the year	–	–	825	(99)	193	919
Transfer of unrealised gains to realised gains	–	–	(328)	328	–	–
Purchase of shares for treasury	–	–	–	–	(23)	(23)
Purchase of shares for cancellation	–	–	–	–	(27)	(27)
Issue of equity (net of costs)	–	30	–	–	–	30
Dividends paid	–	–	–	–	(317)	(317)
As at 31 December 2013	**64**	**39**	**1,112**	**41**	**5,571**	**6,827**
As at 1 January 2012	3,176	5	126	(112)	2,714	5,909
Return/(loss) for the year	–	–	489	(76)	124	537
Reduction in share capital and cancellation of share premium reserve**	(3,119)	(10)	–	–	3,129	–
Issue of equity (net of costs)	7	14	–	–	–	21
Dividends paid	–	–	–	–	(222)	(222)
As at 31 December 2012	64	9	615	(188)	5,745	6,245

* Included within these reserves is an amount of £5,612,000 (2012: £5,557,000) which is considered distributable.

** The reduction in the nominal value of shares from 50 pence to 1 penny and the cancellation of the share premium reserve (as approved by shareholders at the Annual General Meeting held on 15 June 2012 and by order of the Court dated 11 July 2012) has increased the value of distributable reserves.

Cash flow statement

	Note	Combined Year ended 31 December 2013 £'000	Combined Year ended 31 December 2012 £'000
Operating activities			
Loan stock income received		**983**	1,144
Deposit interest received		**122**	104
Dividend income received		**25**	–
Investment management fees paid		**(699)**	(657)
Other cash payments		**(216)**	(224)
Net cash flow from operating activities	18	**215**	367
Taxation			
UK corporation tax paid		**(24)**	(24)
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(3,697)**	(4,124)
Disposal of fixed asset investments		**2,809**	3,904
Disposal of current asset investment		**512**	171
Net cash flow from investing activities		**(376)**	(49)
Equity dividends paid			
Dividends paid (net of cost of shares issued under the Dividend Reinvestment Scheme)		**(1,846)**	(1,678)
Net cash flow before financing		**(2,031)**	(1,384)
Financing			
Issue of share capital (net of costs)		**1,812**	1,824
Purchase of own shares (including costs)	15	**(702)**	(504)
Net cash flow from financing		**1,110**	1,320
Cash flow in the year	17	**(921)**	(64)

Cash flow statement (non-statutory analysis)

	Note	Ordinary shares Year ended 31 December 2013 £'000	Ordinary shares Year ended 31 December 2012 £'000
Operating activities			
Loan stock income received		**686**	906
Deposit interest received		**83**	70
Dividend income received		**23**	–
Investment management fees paid		**(556)**	(523)
Other cash payments		**(166)**	(175)
Net cash flow from operating activities	18	**70**	278
Taxation			
UK corporation tax paid		**(24)**	(31)
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(3,124)**	(3,304)
Disposal of fixed asset investments		**1,486**	3,618
Disposal of current asset investments		**12**	171
Net cash flow from investing activities		**(1,626)**	485
Equity dividends paid			
Dividends paid (net of cost of shares issued under Dividend Reinvestment Scheme)		**(1,559)**	(1,477)
Net cash flow before financing		**(3,139)**	(745)
Financing			
Issue of share capital (net of costs)		**1,812**	1,824
Purchase of own shares	15	**(652)**	(504)
Net cash flow from financing		**1,160**	1,320
Cash flow in the year	17	**(1,979)**	575

Cash flow statement (non-statutory analysis)

	Note	**D shares Year ended 31 December 2013 £'000**	D shares Year ended 31 December 2012 £'000
Operating activities			
Loan stock income received		**297**	238
Deposit interest received		**39**	34
Dividend income		**2**	–
Investment management fees paid		**(143)**	(134)
Other cash payments		**(50)**	(49)
Net cash flow from operating activities	18	**145**	89
Taxation			
UK corporation tax recovered		**–**	7
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(573)**	(820)
Disposal of fixed asset investments		**1,323**	286
Disposal of current asset investments		**500**	–
Net cash flow from investing activities		**1,250**	(534)
Equity dividends paid			
Dividends paid (net of cost of shares issued under the Dividend Reinvestment Scheme)		**(287)**	(201)
Net cash flow before financing		**1,108**	(639)
Financing			
Purchase of own shares	15	**(50)**	–
Net cash flow from financing		**(50)**	–
Cash flow in the year	17	**1,058**	1,320

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 and Venture Capital Trusts" ("SORP") issued by The Association of Investment Companies ("AIC") in January 2009. Accounting policies have been applied consistently in current and prior periods.

2. **Accounting policies**
   Investments
   Quoted and unquoted equity investments, debt issued at a discount, and convertible bonds
   In accordance with FRS 26 "Financial Instruments Recognition and Measurement", unquoted equity, debt issued at a discount and convertible bonds are designated as fair value through profit or loss ("FVTPL"). 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 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. 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.

Warrants and unquoted equity derived instruments
Warrants and unquoted equity derived instruments are only valued if there is deemed to be 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.

Unquoted loan stock
Unquoted loan stock (excluding debt issued at a discount and convertible bonds) is classified as loans and receivables as permitted by FRS 26 and measured at amortised cost using the effective interest rate method less impairment. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income statement, and hence are reflected in the other distributable reserve, and 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 for impairments arising from revaluations of the fair value of the security.

For all unquoted loan stock, whether fully performing, past due or impaired, the Board considers that the fair value is equal to or greater than the security value of 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 original effective interest rate. The future cash flows are estimated based on the fair value of the security less estimated selling costs.

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.

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 as part of an investment portfolio are not accounted for using the equity method.

Current asset investments
Contractual future contingent receipts on disposal of fixed asset investments are designated at fair value through profit or loss and are subsequently measured at fair value.

Fixed term deposits are classified as current asset investments as they are investments held for the short term.

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

Unquoted loan stock income
Fixed returns on non-equity shares and debt securities are recognised 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.

Investment management fees and other expenses
All expenses have been accounted for on an accruals basis. Expenses are charged through the revenue column of the Income statement except the following which are charged through the realised capital reserve:

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

Performance incentive fee
In the event that a performance incentive fee crystallises or is provided for, 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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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. Deferred tax assets and liabilities are not discounted.

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends by the Company are accounted for in the period in which the dividend is declared.

Reserves

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 other distributable reserve.

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

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

Other distributable reserve

The special reserve, treasury share reserve and the revenue reserve have been combined to form a single reserve named other distributable reserve.

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

D shares

Until such time that D shares are converted into Ordinary shares, all investments and returns attributable to this class of share will be separately identifiable from the existing Ordinary shares. All residual expenses will be allocated in the ratio of the respective Net Asset Values of each class of share.

Notes to the Financial Statements (continued)

3. Gains on investments

	Year ended 31 December 2013			Year ended 31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Unrealised gains on fixed asset investments held at fair value through profit or loss	**1,344**	**773**	**2,117**	569	390	959
Unrealised reversals of impairments/(impairments) on fixed asset investments held at amortised cost	**78**	**52**	**130**	(30)	99	69
	1,422	**825**	**2,247**	539	489	1,028
Unrealised gains on current asset investments held at fair value through profit or loss	**6**	**–**	**6**	30	–	30
Unrealised gains sub-total	**1,428**	**825**	**2,253**	569	489	1,058
Realised gains/(losses) on investments held at fair value through profit or loss	**286**	**(23)**	**263**	337	–	337
Realised (losses)/gains on investments held at amortised cost	**(49)**	**7**	**(42)**	(19)	–	(19)
	237	**(16)**	**221**	318	–	318
Realised gains on current asset investments held at fair value through profit or loss	**–**	**–**	**–**	34	–	34
Realised gains sub-total	**237**	**(16)**	**221**	352	–	352
	1,665	**809**	**2,474**	921	489	1,410

Investments measured at amortised cost are unquoted loan stock investments as described in note 2.

4. Investment income

	Year ended 31 December 2013			Year ended 31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Income recognised on investments held at fair value through profit or loss						
Dividend income	**25**	**2**	**27**	–	–	–
Income from convertible bonds and discounted debt	**206**	**94**	**300**	159	87	246
	231	**96**	**327**	159	87	246
Income recognised on investments held at amortised cost						
Bank deposit interest	**72**	**23**	**95**	72	31	103
Return on loan stock investments	**428**	**209**	**637**	697	131	828
	500	**232**	**732**	769	162	931
	731	**328**	**1,059**	928	249	1,177

Interest income earned on impaired investments at 31 December 2013 amounted to £122,000 (2012: £233,000). These investments are all held at amortised cost.

Notes to the Financial Statements (continued)

5. Investment management fees

	Year ended 31 December 2013			Year ended 31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Investment management fee charged to revenue	**141**	**36**	**177**	132	33	165
Investment management fee charged to capital	**422**	**110**	**532**	396	103	499
	563	**146**	**709**	528	136	664

Further details of the Management agreement under which the investment management fee is paid are given in the Directors' report on pages 22 and 23.

During the year, services of a total value of £709,000 (2012: £664,000) were purchased by the Company from Albion Ventures LLP in respect of management fees. At the financial year end, the amount due to Albion Ventures LLP disclosed as accruals was £180,000 (2012: £169,000).

During the year the Company raised new funds through the Albion VCTs Top Up Offers 2012/2013 as detailed in note 15. The total cost of the issue of these shares was 3.0 per cent. of the sums subscribed. Of these costs, an amount of £3,250 (2012: £7,403) was paid to the Manager, Albion Ventures LLP in respect of receiving agent services. There were no sums outstanding in respect of receiving agent services at the year end.

Albion Ventures LLP holds 331 fractional entitlement shares of the Company as a result of the conversion of C shares to Ordinary shares in March 2007. These shares will be sold for the benefit of the Company at a future date.

Albion Ventures LLP also holds 14,000 Ordinary shares as a result of the failure of an original subscriber to pay cleared funds on initial subscription.

6. Other expenses

	Year ended 31 December 2013			Year ended 31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Directors' fees (including VAT and NIC)	**60**	**15**	**75**	69	18	87
Other administrative expenses	**72**	**24**	**96**	95	29	124
Auditor's remuneration for statutory audit services (excluding VAT)	**20**	**5**	**25**	19	5	24
	152	**44**	**196**	183	52	235

7. Directors' fees

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

	Year ended 31 December 2013			Year ended 31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Directors' fees	**57**	**14**	**71**	65	17	82
National insurance and/or VAT	**3**	**1**	**4**	4	1	5
	60	**15**	**75**	69	18	87

Further information can be found in the Directors' remuneration report on pages 31 and 32.

Notes to the Financial Statements (continued)

8. Tax (charge)/credit on ordinary activities

The Company's combined tax credit of £5,000 (2012 charge: £44,000) is analysed between the two share classes as follows:

	Year ended 31 December 2013			Year ended 31 December 2012		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Ordinary shares	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
UK corporation tax in respect of current year	**(92)**	**92**	**–**	(149)	101	(48)
UK corporation tax in respect of prior years	**33**	**–**	**33**	17	–	17
	(59)	**92**	**33**	(132)	101	(31)

Factors affecting the tax charge:

Ordinary shares	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Profit on ordinary activities before taxation	**1,681**	1,138
Tax on profit at the standard rate of 23.25 per cent. (2012: 24.5 per cent.)	**(390)**	(279)
Factors affecting the charge:		
Non-taxable profits	**384**	226
Non-taxable income	**6**	–
Non-deductible expenses	**–**	(4)
Marginal relief	**–**	9
Adjustment in respect of prior years	**33**	17
	33	(31)

	Year ended 31 December 2013			Year ended 31 December 2012		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
D shares	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
UK corporation tax in respect of current year	**(55)**	**27**	**(28)**	(40)	27	(13)

Factors affecting the tax charge:

D shares	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Profit on ordinary activities before taxation	**947**	550
Tax on profit at the standard rate of 23.25 per cent. (2012: 24.5 per cent.)	**(220)**	(135)
Factors affecting the charge:		
Non-taxable profits	**188**	120
Non-deductible expenses	**–**	(1)
Marginal relief	**4**	3
	(28)	(13)

The tax charge for the year shown in the Income statement is lower than the standard rate of corporation tax in the UK of 23.25 per cent. (2012: 24.5 per cent.). The differences are explained above.

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

Notes

(i) Venture Capital Trusts are not subject to corporation tax on capital gains.

(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate and allocating the relief between revenue and capital in accordance with the SORP.

(iii) No deferred tax asset or liability has arisen in the year.

Notes to the Financial Statements (continued)

9. Dividends

Ordinary shares	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Dividend of 2.5p per Ordinary share paid on 31 May 2012	**–**	799
Dividend of 2.5p per Ordinary share paid on 30 September 2012	**–**	796
Dividend of 2.5p per Ordinary share paid on 31 May 2013	**841**	–
Dividend of 2.5p per Ordinary share paid on 30 September 2013	**854**	–
	1,695	1,595

D shares	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Dividend of 1.75p per D share paid on 31 May 2012	**–**	111
Dividend of 1.75p per D share paid on 30 September 2012	**–**	111
Dividend of 2.5p per D share paid on 31 May 2013	**159**	–
Dividend of 2.5p per D share paid on 30 September 2013	**158**	–
	317	222

In addition to the dividends summarised above, the Board has declared a first dividend of 2.50 pence per Ordinary share and 2.50 pence per D share for the year ending 31 December 2014. This dividend will be paid on 30 May 2014 to shareholders on the register as at 9 May 2014. The total dividend will be approximately £877,000 for Ordinary shares and £159,000 for D shares.

10. Basic and diluted return per share

	Year ended 31 December 2013			Year ended 31 December 2012		
Ordinary shares	**Revenue**	**Capital**	**Total**	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return attributable to equity shares (£'000)	**379**	**1,335**	**1,714**	481	626	1,107
Weighted average shares in issue (excluding treasury shares)		**33,589,482**			31,651,285	
Return attributable per equity share (pence)	**1.10**	**4.00**	**5.10**	1.50	2.00	3.50

The weighted average number of Ordinary shares is calculated excluding the treasury shares of 3,769,000 (2012: 3,428,000).

	Year ended 31 December 2013			Year ended 31 December 2012		
D shares	**Revenue**	**Capital**	**Total**	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return attributable to equity shares (£'000)	**193**	**726**	**919**	124	413	537
Weighted average shares in issue (excluding treasury shares)		**6,355,743**			6,363,334	
Return attributable per equity share (pence)	**3.00**	**11.40**	**14.40**	1.90	6.50	8.40

The weighted average number of D shares is calculated excluding the treasury shares of 25,625 (2012: nil).

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

Notes to the Financial Statements (continued)

11. Fixed asset investments

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

	31 December 2013			31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Investments held at fair value through profit or loss						
Unquoted equity and preference shares	**8,264**	**1,972**	**10,236**	5,490	1,471	6,961
Discounted debt and convertible loan stock	**5,008**	**1,531**	**6,539**	3,534	1,184	4,718
	13,272	**3,503**	**16,775**	9,024	2,655	11,679
Investments held at amortised cost						
Unquoted loan stock	**7,673**	**1,549**	**9,222**	8,582	2,279	10,861
	20,945	**5,052**	**25,997**	17,606	4,934	22,540

	Ordinary shares £'000	**D shares £'000**	**Combined £'000**
Opening valuation as at 1 January 2013	**17,606**	**4,934**	**22,540**
Purchases at cost	3,280	626	3,906
Disposal proceeds	(1,549)	(1,323)	(2,872)
Realised gains/(losses)	237	(16)	221
Movement in loan stock accrued income	(52)	6	(46)
Unrealised gains	1,422	825	2,247
Closing valuation as at 31 December 2013	**20,945**	**5,052**	**25,997**
Movement in loan stock accrued income			
Opening accumulated movement in loan stock accrued income	**238**	**19**	**257**
Movement in loan stock accrued income	(52)	6	(46)
Closing accumulated movement in loan stock accrued income as at 31 December 2013	**186**	**25**	**211**
Movement in unrealised (losses)/gains			
Opening accumulated unrealised (losses)/gains	**(2,868)**	**615**	**(2,253)**
Transfer of previously unrealised gains/(losses) on disposal	246	(328)	(82)
Movement in unrealised gains	1,422	825	2,247
Closing accumulated unrealised (losses)/gains as at 31 December 2013	**(1,200)**	**1,112**	**(88)**
Historic cost basis			
Opening book cost	**20,235**	**4,300**	**24,535**
Purchases at cost	3,280	626	3,906
Sales at cost	(1,556)	(1,012)	(2,568)
Closing book cost as at 31 December 2013	**21,959**	**3,914**	**25,873**

Purchases and disposals detailed above do not agree to the Cash flow statement due to restructuring of investments, conversion of convertible loan stock and settlement debtors and creditors.

The Directors believe that the carrying value of loan stock measured at 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.

A schedule of disposals during the year is shown on pages 17 and 18.

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

The amended FRS 29 'Financial Instruments: Disclosures' requires the Company to disclose the valuation methods applied to its investments measured at fair value through profit or loss in a fair value hierarchy according to the following definitions;

Fair value hierarchy	Definition of valuation method
Level 1	Unadjusted quoted (bid) prices applied
Level 2	Inputs to valuation are from observable sources and are directly or indirectly derived from prices
Level 3	Inputs to valuations not based on observable market data

Unquoted equity, preference shares, convertible loan stock and debt issued at a discount are all valued according to Level 3 valuation methods.

The Ordinary shares' Level 3 investments had the following movements in the year to 31 December 2013:

	31 December 2013			31 December 2012		
	Equity £'000	**Convertible and discounted bonds £'000**	**Total £'000**	Equity £'000	Convertible and discounted bonds £'000	Total £'000
Opening balance	**5,490**	**3,534**	**9,024**	5,776	1,581	7,357
Additions	**965**	**2,032**	**2,997**	976	1,320	2,296
Disposals	**(363)**	**(372)**	**(735)**	(1,462)	(68)	(1,530)
Realised gains/(losses)	**107**	**179**	**286**	400	(63)	337
Debt/equity conversion and representation of convertible bond and debt	**772**	**(425)**	**347**	24	(24)	–
Unrealised gains/(losses)	**1,293**	**51**	**1,344**	(224)	793	569
Accrued loan stock interest	**–**	**9**	**9**	–	(5)	(5)
Closing balance	**8,264**	**5,008**	**13,272**	5,490	3,534	9,024

The D shares' Level 3 investments had the following movements in the year to 31 December 2013:

	31 December 2013			31 December 2012		
	Equity £'000	**Convertible and discounted bonds £'000**	**Total £'000**	Equity £'000	Convertible and discounted bonds £'000	Total £'000
Opening balance	**1,471**	**1,184**	**2,655**	1,053	1,138	2,191
Additions	**262**	**331**	**593**	53	63	116
Disposals	**(499)**	**–**	**(499)**	(25)	–	(25)
Realised losses	**(23)**	**–**	**(23)**	–	–	–
Unrealised gains/(losses)	**761**	**12**	**773**	390	–	390
Accrued loan stock interest	**–**	**4**	**4**	–	(17)	(17)
Closing balance	**1,972**	**1,531**	**3,503**	1,471	1,184	2,655

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

Investments held at fair value through profit or loss are valued in accordance with the IPEVCV guidelines as follows:

Valuation methodology	31 December 2013 Ordinary shares £'000	D shares £'000	Total £'000	31 December 2012 Ordinary shares £'000	D shares £'000	Total £'000
Net asset value supported by third party valuation	**4,339**	**2,205**	**6,544**	1,154	656	1,810
Cost and price of recent investment (reviewed for impairment)	**3,912**	**780**	**4,692**	2,856	1,233	4,089
Earnings multiple	**2,146**	**518**	**2,664**	2,248	243	2,491
Revenue multiple	**2,377**	**–**	**2,377**	2,226	–	2,226
Agreed offer or agreed new investment price	**498**	**–**	**498**	540	523	1,063
	13,272	**3,503**	**16,775**	9,024	2,655	11,679

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

FRS 29 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. After due consideration and noting that the valuation methodology applied to 66 per cent. of the Ordinary shares' and 85 per cent. of the D shares' Level 3 investments (by valuation) is based on third party independent evidence, recent investment price, agreed sale price/offer price and cost, the Directors believe that changes to reasonable possible alternative assumptions for the valuation of the remainder of the portfolio could lead to a significant change in the fair value of the Ordinary shares portfolio. The impact of these changes could result in an increase in the valuation of investments by £480,000 or a decrease in investments by £639,000 for the Ordinary share portfolio. The Directors do not believe that changes to reasonable possible alternative input assumptions for the D share portfolio would have a significant impact.

The Ordinary shares' unquoted equity instruments had the following movements between investment methodologies between 31 December 2012 and 31 December 2013:

Change in valuation methodology (2012 to 2013)	Value as at 31 December 2013 £'000	Explanatory note
Cost (reviewed for impairment) to net asset value supported by third party valuation	431	Third party valuation has recently taken place
Revenue multiple to agreed new investment price	360	Investment round has recently taken place

The D shares unquoted equity instruments had the following movements between investment methodologies between 31 December 2012 and 31 December 2013:

Change in valuation methodology (2012 to 2013)	Value as at 31 December 2013 £'000	Explanatory note
Cost (reviewed for impairment) to net asset value supported by third party valuation	161	Third party valuation has recently taken place

The valuation method used will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2013.

Notes to the Financial Statements (continued)

12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the portfolio company, it will not take a controlling interest or become involved in the day-to-day management of a portfolio company. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement.

The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio companies as at 31 December 2013, as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Consolidated PR Limited	Great Britain	Public relations agency	50.0% A Ordinary	21.7%
Albion Investment Properties Limited	Great Britain	Owner of residential property	48.4% A Ordinary	48.4%
Blackbay Limited	Great Britain	Mobile data solutions	21.1% A Ordinary	7.4%
Masters Pharmaceuticals Limited	Great Britain	International specialist distributor of pharmaceuticals	21.1% A Ordinary	1.0%
Peakdale Molecular Limited	Great Britain	Researcher, processor and supplier of chemical compounds	23.0% Ordinary	8.9%

The investments listed above are held as part of an investment portfolio and therefore, as permitted by FRS 9, they are measured at fair value and are not accounted for using the equity method.

13. Trade and other debtors and current asset investments

	31 December 2013			31 December 2012		
Trade and other debtors	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Prepayments and accrued income	**17**	**4**	**21**	24	20	44
UK corporation tax receivable	**14**	**–**	**14**	–	–	–
Other debtors	**64**	**–**	**64**	178	60	238
	95	**4**	**99**	202	80	282

	31 December 2013			31 December 2012		
Current asset investments	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Contingent future receipts on disposal of fixed asset investments	**36**	**–**	**36**	30	–	30
Close Brothers Bank Limited Fixed term deposit	**–**	**–**	**–**	–	500	500
	36	**–**	**36**	30	500	530

The fair value hierarchy applied to contingent future receipts on disposal of fixed asset investments is Level 3. These receipts may not crystallise within 12 months.

The only movements in current asset investments during the year was the deferred receipts on disposal of fixed asset investments.

Notes to the Financial Statements (continued)

14. Creditors: amounts falling due within one year

	31 December 2013			31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Accruals	**184**	**50**	**234**	180	48	228
UK corporation tax payable	**–**	**28**	**28**	31	13	44
Other creditors	**47**	**31**	**78**	76	30	106
	231	**109**	**340**	287	91	378

15. Called up share capital

	31 December 2013			31 December 2012		
	Ordinary shares	**D shares**	**Total**	Ordinary shares	D shares	Total
Allotted, called up and fully paid shares of 1 penny each						
Number of shares	**37,728,166**	**6,381,604**	**44,109,770**	35,678,200	6,377,976	42,056,176
Nominal value of allotted shares (£'000)	**377**	**64**	**441**	357	64	421
Voting rights (net of treasury shares)	**33,959,166**	**6,355,979**	**40,315,145**	32,250,200	6,377,976	38,628,176

Following the Annual General Meeting on 15 June 2012, the Company obtained authority to reduce the nominal value of its shares from 50 pence to 1 penny, and to cancel its capital redemption and share premium reserves. This was approved by the Court on 11 July 2012. This restructuring increased the distributable reserves available to the Company for the payment of dividends, the buy-back of shares, and for other corporate purposes. The effect of these transactions were to reduce the Ordinary share capital by £17,327,000 and the D share capital by £3,119,000, the Ordinary share capital redemption reserve by £2,204,000 and the Ordinary share and D share share premium reserves by £1,129,000 and £10,000 respectively.

The Company purchased 341,000 Ordinary shares at a cost of £238,000 (2012: nil) to be held in treasury during the year. The Company purchased 25,625 D shares at a cost of £23,000 (2012: nil) to be held in treasury during the year.

The Company cancelled no Ordinary shares from treasury (2012: 39,396), and purchased 605,000 Ordinary shares (2012: 765,436) for cancellation at a cost of £414,000 (2012: £499,000). The Company purchased 31,587 D shares (2012: nil) for cancellation at a cost of £27,000 (2012: nil).

The Company holds a total of 3,769,000 Ordinary shares in treasury, representing 9.99 per cent. of the issued Ordinary share capital as at 31 December 2013. The Company holds a total of 25,625 D shares in treasury, representing 0.4 per cent. of the issues D share capital as at 31 December 2013.

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

Date of allotment	**Number of shares issued**	**Issue price (pence per share)**	**Mid-market price on issue date (pence per share)**	**Net proceeds £'000**
31 May 2013	100,323	71.50	70.00	62
30 September 2013	107,805	72.10	69.50	74
	208,128			136

Notes to the Financial Statements (continued)

15. Called up share capital (continued)

During the period from 1 January to 31 December 2013, the Company issued the following New Ordinary shares of nominal value 1 penny each under the Albion VCTs Top Up Offers 2012/2013:

Date of allotment	Number of shares issued	Issue price (pence per share)	Mid-market price on issue date (pence per share)	Net proceeds £'000
5 April 2013	1,930,961	76.30	68.00	1,429
12 June 2013	515,877	76.20	70.00	382
	2,446,838			1,811

Under the terms of the D shares' Dividend Reinvestment Scheme, the following D shares of nominal value 1 penny each were allotted during the year.

Date of allotment	Number of shares issued	Issue price (pence per share)	Mid-market price on issue date (pence per share)	Net proceeds £'000
31 May 2013	17,709	95.40	95.00	14
30 September 2013	17,506	99.00	95.00	16
	35,215			30

16. Basic and diluted net asset values per share

	31 December 2013		31 December 2012	
	Ordinary shares (pence per share)	**D shares (pence per share)**	Ordinary shares (pence per share)	D shares (pence per share)
Basic and diluted net asset values per share	**74.10**	**107.40**	74.00	97.90

The basic and diluted net asset values per share at the year end are calculated in accordance with the Articles of Association and are based upon total shares in issue (less treasury shares) of 33,959,166 Ordinary shares (2012: 32,250,200) and 6,355,979 D shares (2012: 6,377,976) as at 31 December 2013.

17. Analysis of changes in cash during the year

	Year ended 31 December 2013			Year ended 31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Opening cash balances	**6,309**	**822**	**7,131**	5,734	1,461	7,195
Net cash flow	**(1,979)**	**1,058**	**(921)**	575	(639)	(64)
Closing cash balances	**4,330**	**1,880**	**6,210**	6,309	822	7,131

Notes to the Financial Statements (continued)

18. Reconciliation of net return on ordinary activities before taxation to net cash flow from operating activities

	Year ended 31 December 2013			Year ended 31 December 2012		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Revenue return on ordinary activities before taxation	**438**	**248**	**686**	613	164	777
Investment management fee charged to capital	**(422)**	**(110)**	**(532)**	(396)	(103)	(499)
Movement in accrued amortised loan stock interest	**52**	**(6)**	**46**	50	19	69
Decrease/(increase) in debtors	**7**	**15**	**22**	(1)	3	2
(Decrease)/increase in creditors	**(5)**	**(2)**	**(7)**	12	6	18
Net cash flow from operating activities	**70**	**145**	**215**	278	89	367

19. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares and D shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 21 of the Directors' report.

The Company's financial instruments comprise equity and loan stock investments in unquoted companies, cash balances and debtors and creditors which arise from its operations. The main purpose of these financial instruments is to generate cashflow and revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short term 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 investments, details of which are shown on pages 15 to 18. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio company and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the Balance sheet date is the value of the fixed asset and current asset investment portfolio (excluding fixed term deposits) which, for Ordinary shares is £20,981,000 (2012: £17,636,000) and for D shares £5,052,000 (2012: £4,934,000). Fixed asset and current asset investments form 83 per cent. of the Ordinary shares' and 74 per cent. of the D shares' net asset value (excluding fixed term deposits) as at 31 December 2013 (2012: 74 per cent. Ordinary shares; 79 per cent. D shares).

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

19. Capital and financial instruments risk management (continued)

Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with up to 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.

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

As required under FRS 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. (2012: 10 per cent.) increase or decrease in the valuation of the fixed asset and current asset investments (excluding fixed term deposits) (keeping all other variables constant) would increase or decrease the net asset value and return for the year of Ordinary shares by £2,098,000 (2012: £1,764,000) and £505,000 (2012: £493,000) for the D shares.

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 rise of one percentage point in all interest rates would have increased total return before tax for the year by approximately £48,000. Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 4.5 per cent. for the Ordinary shares (2012: 5.9 per cent.) and 8.4 per cent. for the D shares (2012: 7.8 per cent.).

The weighted average period to maturity for the fixed rate assets is approximately 4.6 years (2012: 4.3 years) for Ordinary shares and 7.5 years for D shares (2012: 7.5 years).

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

Ordinary shares

	31 December 2013				31 December 2012			
	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	**–**	**–**	**8,264**	**8,264**	–	–	5,490	5,490
Convertible and discounted bonds	**4,070**	**–**	**938**	**5,008**	3,168	–	366	3,534
Unquoted loan stock	**7,450**	**209**	**14**	**7,673**	8,436	146	–	8,582
Debtors*	**–**	**–**	**71**	**71**	–	–	178	178
Current asset investments	**–**	**–**	**36**	**36**	–	–	30	30
Current liabilities*	**–**	**–**	**(231)**	**(231)**	–	–	(256)	(256)
Cash	**486**	**3,844**	**–**	**4,330**	5,907	402	–	6,309
	12,006	**4,053**	**9,092**	**25,151**	17,511	548	5,808	23,867

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

D shares

	31 December 2013				31 December 2012			
	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	**–**	**–**	**1,972**	**1,972**	–	–	1,471	1,471
Discounted debt and convertible bonds	**1,531**	**–**	**–**	**1,531**	1,195	–	–	1,195
Unquoted loan stock	**1,549**	**–**	**–**	**1,549**	2,268	–	–	2,268
Debtors*	**–**	**–**	**2**	**2**	–	60	–	60
Current asset investments	**–**	**–**	**–**	**–**	500	–	–	500
Current liabilities*	**–**	**–**	**(81)**	**(81)**	–	–	(78)	(78)
Cash	**450**	**1,430**	**–**	**1,880**	682	140	–	822
	3,530	**1,430**	**1,893**	**6,853**	4,645	200	1,393	6,238

* The debtors and current liabilities do not reconcile to the balance sheets as prepayments and tax receivable/(payable) are not included in the above tables.

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 cash on deposit with banks.

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

Bank deposits 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 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 for Ordinary shares at 31 December 2013 was limited to £12,681,000 (2012: £12,116,000) of unquoted loan stock instruments (all are secured on the assets of the portfolio company) and £4,330,000 (2012: £6,309,000) of cash deposits with banks.

The Company's total gross credit risk for D shares at 31 December 2013 was limited to £3,080,000 (2012: £3,463,000) of unquoted loan stock instruments (all are secured on the assets of the portfolio company) and £1,880,000 (2012: £1,322,000) of cash and fixed term deposits with banks.

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

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

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

The Ordinary shares' cost, impairment and carrying value of impaired loan stocks as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013			31 December 2012		
Ordinary shares	**Cost £'000**	**Impairment £'000**	**Carrying value £'000**	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	**4,150**	**(1,617)**	**2,533**	4,803	(1,724)	3,079

There are no impaired loan stock instruments for D shares.

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

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited Balance sheet, which amounts to £3,097,000 (2012: £2,914,000) as at 31 December 2013.

The Company had no committed borrowing facilities as at 31 December 2013 (2012: nil) and the Company had cash and fixed term deposit balances of £6,210,000 (2012: £7,631,000). The main cash outflows are for new investments, buy-back of shares and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis, as part of its review of management accounts and forecasts. With the exception of corporation tax payable, all of the Company's financial liabilities are short term in nature and total £340,000 (2012: £378,000).

The carrying value of Ordinary shares' loan stock investments at 31 December 2013, analysed by expected maturity dates is as follows:

Redemption date	**Fully performing £'000**	**Impaired £'000**	**Past due £'000**	**Total £'000**
Less than one year	**1,681**	**1,205**	**1,383**	**4,269**
1-2 years	**1,158**	**1,242**	**510**	**2,910**
2-3 years	**1,187**	**41**	**–**	**1,228**
3-5 years	**1,085**	**45**	**9**	**1,139**
Greater than 5 years	**2,523**	**–**	**612**	**3,135**
	7,634	**2,533**	**2,514**	**12,681**

Loan stock categorised as past due for the Ordinary shares includes;

- loan stock valued at £1,778,000 yielding an average 4.9 per cent. which has interest past due by less than 12 months;
- loan stock valued at £575,000 yielding an average 2.9 per cent. has interest past due by greater than 12 months but less than 2 years;
- loan stock valued at £161,000 yielding an average 14.63 per cent. which has capital past due by greater than 12 months but less than 3 years.

The carrying value of Ordinary shares' loan stock investments at 31 December 2012, analysed by expected maturity dates is as follows:

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	523	1,477	1,811	3,811
1-2 years	1,186	1,415	322	2,923
2-3 years	328	58	165	551
3-5 years	1,650	129	517	2,296
Greater than 5 years	1,922	–	613	2,535
	5,609	3,079	3,428	12,116

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

The carrying value of D shares' loan stock investments at 31 December 2013, analysed by expected maturity dates is as follows:

Redemption date	**Fully performing £'000**	**Impaired £'000**	**Past due £'000**	**Total £'000**
Less than one year	**–**	**–**	**–**	**–**
1-2 years	**1,248**	**–**	**–**	**1,248**
2-3 years	**345**	**–**	**–**	**345**
3-5 years	**442**	**–**	**–**	**442**
Greater than 5 years	**517**	**–**	**528**	**1,045**
	2,552	**–**	**528**	**3,080**

Loan stock categorised as past due for the D shares includes;

- Loan stock valued at £528,000 yielding an average 8.6 per cent. which has interest past due by less than 12 months.

The carrying value of D shares' loan stock investments at 31 December 2012, analysed by expected maturity dates is as follows:

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	–	–	–	–
1-2 years	–	–	–	–
2-3 years	833	–	442	1,275
3-5 years	442	–	838	1,280
Greater than 5 years	908	–	–	908
	2,183	–	1,280	3,463

In view of the availability of adequate cash balances and the repayment profile of loan stock investments, the Board considers that the Company is subject to low liquidity risk.

Fair values of financial assets and financial liabilities

All of the Company's financial assets and liabilities as at 31 December 2013 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, cash, fixed term deposits, debtors and creditors, which are measured at amortised cost, as permitted by FRS 26. In the opinion of the Directors, the amortised cost 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 from the fair value and all are payable within one year, and that the Company is subject to low financial risk as a result of having nil gearing and positive cash balances.

Notes to the Financial Statements (continued)

20. Contingencies and commitments

The Company had the following financial commitments in respect of investments:

- Chonais Holdings Limited; £788,000
- Relayware Limited; £255,000
- Proveca Limited; £238,000
- MyMeds&Me Limited; £235,000
- The Street by Street Solar Programme Limited; £50,000
- Abcodia Limited; £18,000
- Mi-Pay Limited; £14,000
- Dragon Hydro Limited; £2,000

21. Post balance sheet events

Since the year end, the Company had the following material investment transactions:

- Investment of £610,000 in Egress Software Technologies Limited;
- Investment of £400,000 in Grapeshot Limited;
- Investment of £116,000 in Taunton Hospital Limited;
- Investment of £106,000 in Mirada Medical Limited;
- Investment of £75,000 in Sandcroft Avenue Limited;
- Investment of £50,000 in The Street by Street Solar Programme Limited;
- Investment of £18,000 in Abcodia Limited;
- Investment of £14,000 in Mi-Pay Limited;
- Investment of £8,000 in Rostima Holdings Limited;

On 6 November 2013 the Company announced the launch of the Albion VCTs Top Up Offers 2013/2014. On 14 March 2014, the Company announced an increase in the size of the Albion VCTs Top Up Offers 2013/2014. In aggregate, the Albion VCTs will be aiming to raise approximately £27 million across six of the VCTs managed by Albion Ventures LLP, of which Albion Development VCT PLC (Ordinary shares) will be aiming to raise circa £4 million.

The funds raised by each Company pursuant to its Offer will be added to the liquid resources available for investment so as to put each Company into a position to take advantage of attractive investment opportunities over the next two to three years. Accordingly, the proceeds of the Offers will be applied in accordance with the respective Companies' investment policies. A prospectus has been published and may be obtained from www.albion-ventures.co.uk.

The following Ordinary shares of nominal value 1 penny were allotted under the Offers after 31 December 2013:

Date of allotment	Number of shares allotted	Issue price (pence per share)	Aggregate nominal value of shares £'000	Consideration received (net of costs) £'000	Opening market price per share on allotment date (pence per share)
31 January 2014	549,339	74.40	41	396	69.50
31 January 2014	543,338	74.80	41	401	69.50
31 January 2014	20,352	73.70	2	15	69.50
	1,113,029		84	812	

22. Related party transactions

There are no related party transactions or balances requiring disclosure.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Development VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 4 June 2014 at 11:00 am for the following purposes:

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

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 December 2013 together with the report of the Directors and Auditor.

2. To approve the Directors' remuneration policy for the year ended 31 December 2013.

3. To approve the Directors' remuneration report for the year ended 31 December 2013.

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

5. To re-elect Andrew Phillipps as a Director of the Company.

6. To elect Patrick Reeve as a Director of the Company.

7. To re-appoint BDO LLP as Auditor of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.

8. To authorise the Directors to agree the Auditor's remuneration.

Special Business

9. That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company up to an aggregate nominal amount of £38,841 for Ordinary shares and £6,381 for D shares, provided that this authority shall expire 18 months from the date that this resolution is passed, or, if earlier, the conclusion of the next annual general meeting of the Company but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

10. That, subject to and conditional on the passing of resolution number 9, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 9 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

    (a) in connection with an offer of such securities by way of rights issue;

    (b) in connection with any Dividend Reinvestment Scheme introduced and operated by the Company;

    (c) in connection with the Albion VCTs Top Up Offers 2013/2014 and similar top up offers; and

    (d) otherwise than pursuant to paragraphs (a) to (c) above, up to an aggregate nominal amount of £38,841 for Ordinary shares and £6,381 for D shares.

    This authority shall expire 18 months from the date that this resolution is passed, or, if earlier, the conclusion of the next annual general meeting of the Company, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if 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 requirements of any recognised regulatory body or any stock exchange in, any territory.

Notice of Annual General Meeting (continued)

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 9" were omitted.

11. That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares and D shares of 1 penny each in the capital of the Company, on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 727 of the Act, provided that:

    (a) the maximum number of shares hereby authorised to be purchased is 5,822,295 Ordinary shares and 956,602 D shares, equal to 14.99 per cent. of the shares in issue;

    (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share or a D share is 1 penny;

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

    (d) the authority hereby conferred shall, unless previously revoked or varied, expire at the end of the next Annual General Meeting, or 4 December 2014, whichever is earlier; and

    (e) the Company may make a contract or contracts to purchase Ordinary or D shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts.

    Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), Ordinary and D shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 11 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

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

By order of the Board

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

28 March 2014

Registered in England and Wales with number 03654040

Notice of Annual General Meeting (continued)

Notes

1. Members entitled to attend, speak and vote at the Annual General Meeting ("AGM") may appoint a proxy or proxies (who need not be a member of the Company) to exercise these rights in their place at the meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. Proxies may only be appointed by:

   - completing and returning the Form of Proxy enclosed with this Notice to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ;
   - going to www.investorcentre.co.uk and following the instructions provided there; or
   - by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

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

   To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 11:00 am on 2 June 2014.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 ('the Act') to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 11:00 am on 2 June 2014 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 11:00 am 2 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

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

6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion-ventures.co.uk, Our Funds, Albion Development VCT PLC.

Notice of Annual General Meeting (continued)

7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

8. As at 26 March 2014 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 38,841,195 Ordinary shares and 6,381,604 D shares. The Company holds 3,769,000 Ordinary shares and 25,625 D shares in treasury. At that date, the total voting rights of the Ordinary share class were 35,072,195 and for D shares were 6,355,979. The total voting rights for the Company were 41,428,174.

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

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

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

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