

# Crown Place VCT PLC



Annual Report and Financial Statements for the year ended 30 June 2019

2019





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# Company information

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<b>Company number</b>	03495287
<b>Directors</b>	Richard Huntingford, Chairman James Agnew Karen Brade Penny Freer Pam Garside (appointed 1 March 2019)
<b>Country of incorporation</b>	United Kingdom
<b>Legal form</b>	Public Limited Company
<b>Manager, company secretary, AIFM and registered office</b>	Albion Capital Group LLP 1 Benjamin Street London, EC1M 5QL
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
<b>Auditor</b>	BDO LLP 55 Baker Street London, W1U 7EU
<b>Taxation adviser</b>	Philip Hare & Associates LLP 1 Temple Avenue London, EC4Y 0HA
<b>Legal adviser</b>	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
<b>Depositary</b>	Ocorian (UK) Limited 11 Old Jewry London, EC2R 8DU

Crown Place VCT PLC is a member of The Association of Investment Companies ([www.theaic.co.uk](http://www.theaic.co.uk)).

**Shareholder enquiries** For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:  
Tel: 0370 873 5857 (UK national rate call, lines are open 8.30 am – 5.30 pm; Mon-Fri, calls are recorded)  
Website: [www.investorcentre.co.uk](http://www.investorcentre.co.uk)

Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.  
Shareholders can also contact the Chairman directly on [crownchair@albion.capital](mailto:crownchair@albion.capital)

**Financial adviser enquiries** For enquiries relating to the performance of the Company and information for financial advisers please contact Albion Capital Group LLP:  
Tel: 020 7601 1850 (lines are open 9:00 am – 5:30 pm; Mon-Fri, calls are recorded)  
Email: [info@albion.capital](mailto:info@albion.capital)  
Website: [www.albion.capital](http://www.albion.capital)

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

# Investment policy

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The Company will invest in a broad portfolio of smaller, unquoted growth businesses across a variety of sectors including higher risk technology companies. Investments may take the form of equity or a mixture of equity and loans.

Whilst allocation of funds will be determined by the investment opportunities which become available, efforts will be made to ensure that the portfolio is diversified both in terms of sector and stage of maturity of investee businesses. Funds held pending investment or for liquidity purposes will be held principally as cash on deposit.

## *Risk diversification and maximum exposures*

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

The Company's maximum exposure in relation to gearing is restricted to the amount of its adjusted share capital and reserves. The Directors do not have any intention of utilising long-term gearing.

## Financial calendar

Record date for first dividend	1 November 2019
Annual General Meeting	Noon on 27 November 2019
Payment of first dividend	29 November 2019
Announcement of half-yearly results for the six months ending 31 December 2019	February 2020
Payment of second dividend (subject to Board approval)	31 March 2020

# Financial highlights

35.29p

Net asset value per share as at 30 June 2019

3.75p

Total return per share to shareholders for the year ended 30 June 2019

11.2%

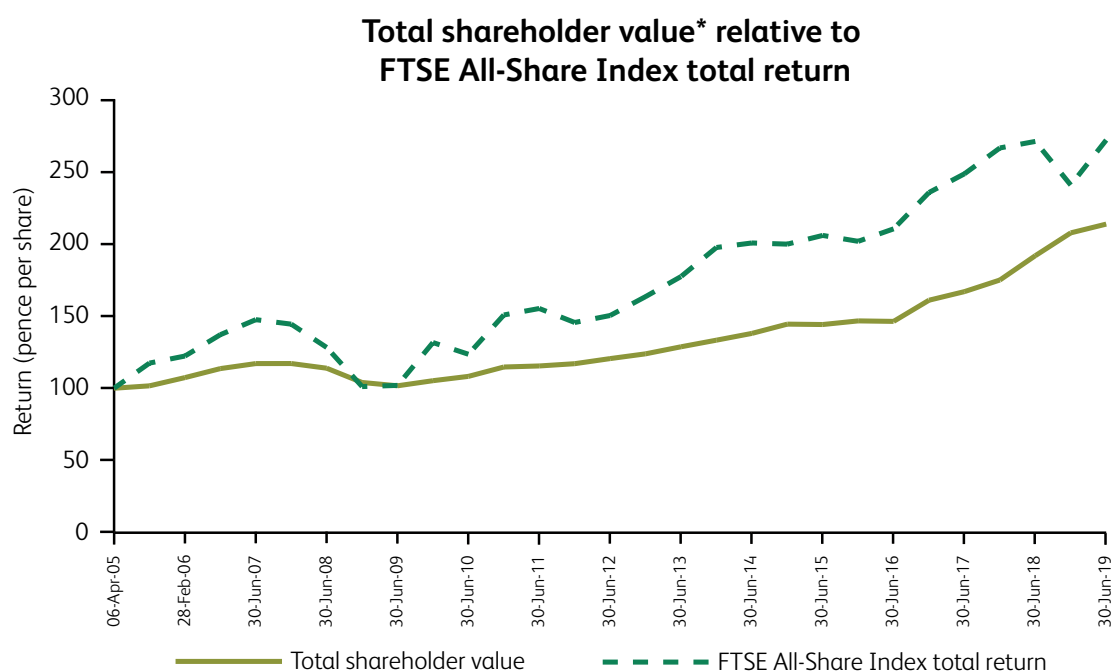
Total return on opening net asset value per share

2.0p

Total tax-free dividends per share paid during the year ended 30 June 2019

6.0%

Tax-free dividend yield on share price (total dividends paid in the year/share price as at 30 June 2019)



Source: Albion Capital Group LLP

\* Total shareholder value is net asset value plus cumulative dividends paid since the appointment of Albion Capital Group LLP on 6 April 2005.

Methodology: The return to the shareholder, including original amount invested (rebased to 100) from when Albion Capital Group LLP became Manager on 6 April 2005, assuming that dividends were reinvested at net asset value of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

# Financial highlights continued

	30 June 2019 pence per share	30 June 2018 pence per share
Opening net asset value	33.50	30.98
Revenue return	0.41	0.36
Capital return	3.34	4.28
Total return	3.75	4.64
Dividends paid	(2.00)	(2.00)
Impact from buy-backs and issue of share capital	0.04	(0.12)
Closing net asset value	35.29	33.50

## Shareholder return and shareholder value

(pence per share)

### Shareholder return from launch to April 2005 (date that Albion Capital was appointed investment manager):

Total dividends paid to 6 April 2005 <sup>(i)</sup>	24.93
Decrease in net asset value	(56.60)
Total shareholder return to 6 April 2005	(31.67)

### Shareholder return from April 2005 to 30 June 2019:

Total dividends paid	32.80
Decrease in net asset value	(8.11)
Total shareholder return from April 2005 to 30 June 2019	24.69

### Shareholder value since launch:

Total dividends paid to 30 June 2019 <sup>(i)</sup>	57.73
Net asset value as at 30 June 2019	35.29
Total shareholder value as at 30 June 2019	93.02

#### Notes

- (i) Prior to 6 April 1999, venture capital trusts were able to add 20 per cent. to dividends and figures for the period up until 6 April 1999 are included at the gross equivalent rate actually paid to shareholders.

<b>Current annual dividend objective</b>	2.00
Dividend yield on net asset value as at 30 June 2019	5.7%

# Financial highlights continued

<b>Total shareholder value since launch:</b>	<b>(pence per share)</b>
Total dividends paid during:	
the period from launch to 6 April 2005 (prior to change of manager)	24.93
the year ended 28 February 2006	1.00
the period ended 30 June 2007	3.30
the year ended 30 June 2008	2.50
the year ended 30 June 2009	2.50
the year ended 30 June 2010	2.50
the year ended 30 June 2011	2.50
the year ended 30 June 2012	2.50
the year ended 30 June 2013	2.50
the year ended 30 June 2014	2.50
the year ended 30 June 2015	2.50
the year ended 30 June 2016	2.50
the year ended 30 June 2017	2.00
the year ended 30 June 2018	2.00
the year ended 30 June 2019	2.00
<b>Total dividends paid to 30 June 2019</b>	<b>57.73</b>
Net asset value as at 30 June 2019	<b>35.29</b>
<b>Total shareholder value as at 30 June 2019</b>	<b>93.02</b>

In addition to the dividends paid above, the Board has declared a first dividend for the year ending 30 June 2020, of 1 penny per Crown Place VCT PLC share, payable on 29 November 2019 to shareholders on the register on 1 November 2019.

# Chairman's statement



Richard Huntingford  
Chairman

## Introduction

I am delighted to report that Crown Place VCT PLC achieved a total return of 3.75 pence per share for the year ended 30 June 2019, which is an 11.2 per cent. return on our opening net asset value per share, extending our track record of delivering a positive total return to shareholders for the last ten years. This is also the third consecutive year where return on opening NAV is greater than 10 per cent. and where total return has more than covered the dividend paid to shareholders. The portfolio has performed well across all sectors and stages of maturity, and pleasingly the Company saw significant interest from investors, with the Top Up Offer raising the full subscription amount of £8.0 million, well ahead of its planned closing date.

## Results and dividends

As at 30 June 2019, the net asset value was £66.0 million or 35.29 pence per share compared to £55.4 million or 33.50 pence per share at 30 June 2018. The ongoing charges ratio for the year decreased to 2.3 per cent. (2018: 2.4 per cent.).

Further details of the Company's financial performance are given in the Strategic report on page 11.

The Company paid dividends totalling 2.0 pence per share during the financial year, representing a dividend yield on closing NAV of 5.7 per cent. (2018: 6.0 per cent.). The Board is proposing a first dividend for the year ending 30 June 2020 of 1 penny per share, payable on 29 November 2019 to shareholders on the register on 1 November 2019.

## Investment performance

We had two significant exits in 2019: Earnside Energy and The Stanwell Hotel which, in total, returned disposal proceeds of £2.2 million. For Earnside Energy, we have received proceeds of £1.3 million, resulting in a return (including interest received) of 1.4 times cost, and for The Stanwell Hotel we received proceeds of £915,000, returning 0.6 times our original

investment (including interest received).

Overall, the Company achieved disposal proceeds, including repayments of loan stock by portfolio companies, of £3.4 million compared to £6.0 million in the previous year. Further information on realisations can be found on page 24.

Following the year end, the Company exchanged contracts for the sale of Process Systems Enterprise for a return of over ten times cost. This is the second time in just over a year that the Company has sold a technology investment for a ten times multiple after the successful sale of Grapeshot in 2018.

During the year, the Company's realised and unrealised capital gains on investments amounted to £6,475,000 compared to £7,366,000 in the previous year. Notable increases in valuation include a £1.0 million uplift for ELE Advanced Technologies, which has continued to trade strongly; £923,000 for Process Systems Enterprise, as noted above; £796,000 uplift for Radnor House School, where the Sevenoaks school has seen an increase in the student roll as it continues to expand; and £718,000 for Proveca, following a further fundraising round.

‘ the third consecutive year where return on opening NAV is greater than 10 per cent. ’

As in any large portfolio, there were a few investments where valuations declined over the year, the largest being a £167,000 write-down in Convertr Media, which required further finance as it continues to develop its business.

A total of £3.5 million was deployed into portfolio companies, including £2.0 million invested in new portfolio companies namely;

- £510,000 into Avora, a developer of software to improve decision making through augmented analytics and machine learning;
- £356,000 into Phrasee, which uses artificial intelligence to generate language for optimised marketing campaigns;
- £280,000 into Limitless Technology, a customer service platform powered by crowd and machine learning technology;
- £231,000 into Clear Review, a provider of talent management software to mid-market enterprises;
- £210,000 into Arecor, a biopharmaceuticals business specialising in diabetes care;
- £160,000 into Forward Clinical, a provider of secure mobile messaging services for doctors and care workers;
- £115,000 into ePatient Network (trading as Raremark), a patient engagement and data business focused on rare diseases;
- £106,000 into Imandra, a provider of automated software testing and an enhanced learning experience for artificial neural networks; and
- £43,000 into Symetrica, a designer and manufacturer of radiation detection equipment.

We also continued to support existing portfolio companies, with a total of £1.5 million deployed, including £388,000 in Proveca following a £3.5 million funding round to continue the development of paediatric medicines; £320,000 in Locum's Nest to accelerate growth of its web platform and mobile application which allows NHS Trusts to manage their requirements for locum doctors; and £248,000 in Quantexa as part of a £15.2 million funding round to further grow its network analytics business.

Full details of the companies we are invested in can be found in the Portfolio of investments section on pages 21 to 23.

#### Board composition

As announced on 14 February 2019, Karen Brade, who has been on the Board since October 2010, will resign on 30 September 2019. I would like to thank Karen for her invaluable input as a Director and her work as Chairman of the Audit and Risk Committee over the past four years. James Agnew, who has been on the Board since November 2015, will succeed her as Chairman of the Audit and Risk Committee upon her resignation.

I am delighted to welcome Pam Garside, a highly experienced healthcare entrepreneur, member of the Cambridge Business Angels and advisor to government, NHS and private sector organisations, to the Board following her appointment in March 2019. Pam joins the Board at a time when increasing numbers of healthcare investment opportunities are being considered by the Company.

#### Transactions with the Manager

The Board continues to closely monitor the Manager's performance and reporting and remains satisfied with the Company's progress.

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

“ track record of delivering a positive total return to shareholders for the last ten years ”



“ second time in just over a year that the Company has sold a technology investment for a ten times multiple ”

## Risks and uncertainties

The outlook for the UK and global economies continues to be the key risk affecting the Company, and the withdrawal of the UK from the European Union is likely to have an impact on the Company and its investments. An analysis has been carried out at a portfolio company level to assess exposure to Europe, and appropriate actions, where possible, have been implemented. Overall investment risk, however, is mitigated through a variety of processes, including investing in a diversified portfolio in terms of sector and stage of maturity, with a focus on opportunities where growth can be sustained and resilient.

A detailed review of risk management is set out on pages 15 and 16 of the Strategic report.

## Albion VCTs Top Up Offers

In January 2019, the Company announced the launch of the Albion VCTs Prospectus Top Up Offers 2018/19 and was pleased to announce on 3 April 2019 that it had reached its £8 million limit under its Offer which was fully subscribed and closed, as detailed in note 15. The proceeds raised continue to be deployed into new portfolio companies, some of which are noted above, but also used to further support growth in our existing portfolio companies. We continue to develop an attractive pipeline of new investment opportunities.

The Company is pleased to announce that, subject to obtaining the requisite regulatory approval, the Company intends to launch prospectus Top Up Offers of new Ordinary shares for subscription in the 2019/2020 and 2020/2021 tax years (the "Offers").

Full details of the Offers will be contained in a prospectus that is expected to be published in Autumn 2019 and will be available on the Albion Capital website ([www.albion.capital](http://www.albion.capital)).

## Annual General Meeting

The Annual General Meeting of the Company will be held at The Charterhouse, Charterhouse Square, London EC1M 6AN at noon on 27 November 2019. Full details of the business to be conducted at the Annual General Meeting are given in the Notice of the Meeting on pages 69 and 70. Please note that this is a new location for the Annual General Meeting.

The Board welcomes your attendance at the meeting as it gives an opportunity for shareholders to ask questions of the Board and the Manager. If you are unable to attend the Annual General Meeting in person, we would encourage you to make use of your proxy votes.

## Fraud warning

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

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

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

## Outlook

It is encouraging to see continued strong performance by the Company. The portfolio remains well balanced across a variety of sectors, despite its exposure to an increasing number of early stage technology businesses. Although recent changes to the Company's investment policy, brought about by the changes in VCT tax legislation, may result in increased volatility within the portfolio, we remain confident that the fundamentals of the companies within our portfolio, and the new companies that we are backing, give the Company the potential to deliver positive shareholder returns. I do however note the broader uncertain political and economic environment.

**Richard Huntingford**

Chairman

27 September 2019

# Strategic report

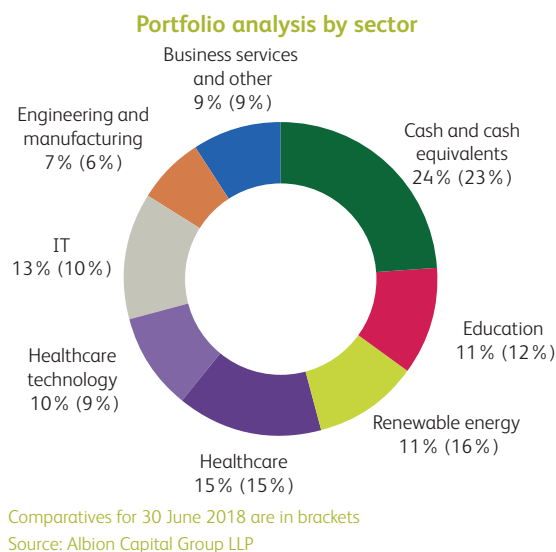
Crown Place VCT PLC is a venture capital trust and its investment policy can be found on page 3.

## Business model

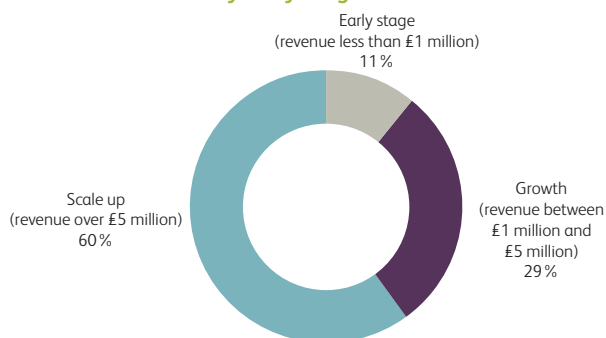
The Company operates as a Venture Capital Trust. This means that the Company has no employees other than its Directors and has outsourced the management of all its operations to Albion Capital Group LLP, including secretarial and administrative services. Further details of the Management agreement can be found on page 13 of this report.

## Current portfolio sector allocation

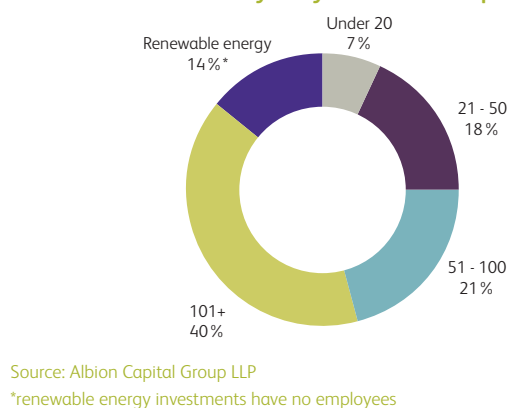
The following pie charts show the split of the portfolio valuation as at 30 June 2019 by: sector; stage of investment; and number of employees. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 21 to 23.



## Portfolio analysis by stage of investment



## Portfolio analysis by number of employees



## Direction of portfolio

The analysis of the Company's investment portfolio shows that it is well diversified and evenly spread across the renewable energy, healthcare, education, IT and healthcare technology sectors.

The IT and healthcare technology sectors have continued to grow as a proportion of the portfolio as we invest in key areas such as cyber security and machine learning applications. In line with the new investment policy, we will continue to invest in higher growth technology companies in the future. The renewable energy portfolio has decreased, mainly as a result of the sale of Earnside Energy, however there is currently no intention to dispose of any other renewable energy investments in the short term as these investments generate stable income for the Company.

## Results and dividends

	£'000
Revenue return for the year ended 30 June 2019	697
Capital return for the year ended 30 June 2019	5,695
<b>Total return for the year ended 30 June 2019</b>	<b>6,392</b>
Dividend of 1 penny per share paid on 30 November 2019	(1,649)
Dividend of 1 penny per share paid on 29 March 2019	(1,646)
Unclaimed dividends	15
<b>Transferred to reserves</b>	<b>3,112</b>
Net assets as at 30 June 2019	65,995
<b>Net asset value as at 30 June 2019 (pence per share)</b>	<b>35.29</b>

The Company paid dividends totalling 2.00 pence per share during the year ended 30 June 2019 (2018: 2.00 pence per share). The dividend objective of the Board is to provide shareholders with a stable dividend flow. The Company will target an annual dividend of 2.00 pence per share for the year ending 30 June 2020 and has declared a first dividend for the year ending 30 June 2020 of 1 penny per share. This dividend will be paid on 29 November 2019 to shareholders on the register on 1 November 2019.

As shown in the Income statement on page 51, the capital gain for the year was £5,695,000 (2018: £6,706,000), mainly as a result of the unrealised capital uplifts of £1.0 million in ELE Advanced Technologies, £923,000 in Process Systems Enterprise, £796,000 in Radnor House School (Holdings) and £718,000 in Proveca, and a £402,000 gain on the disposal of The Stanwell Hotel.

As shown on the Income statement on page 51, investment income has increased to £1,285,000 (2018: £1,105,000), resulting in an increased revenue return of £697,000 (2018: £560,000). The total return for the year was 3.75 pence per share (2018: 4.64 pence per share).

The Balance sheet on page 52, shows that the net asset value has increased over the year to 35.29 pence per share (2018: 33.50 pence per share), due to the total return for the year of 3.75 pence per share offset by the payment of the dividend of 2.00 pence per share during the year.

The cash flow for the Company has been a net inflow of £3,479,000 for the year (2018: £3,355,000), reflecting disposal proceeds, operating activities and the issue of new Ordinary shares under the Top Up Offer, offset by dividends paid, new investments in the year and the buy-back of shares.

## Review of the business and future changes

A review of the Company's business during the year is set out in the Chairman's statement on pages 7 and 8. We believe there should be further progress in the current year, with selected disposals and new investments, and a continued focus on healthcare and technology companies, alongside other new growth opportunities.

Following changes to the VCT regulations in 2017, 99.7% of shareholders approved a change to the Company's investment policy at the Annual General Meeting in 2018. As a result, a greater emphasis continues to be given to growth and technology investments and asset-based investments will continue to decrease over time as a proportion of the portfolio.

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

## Future prospects

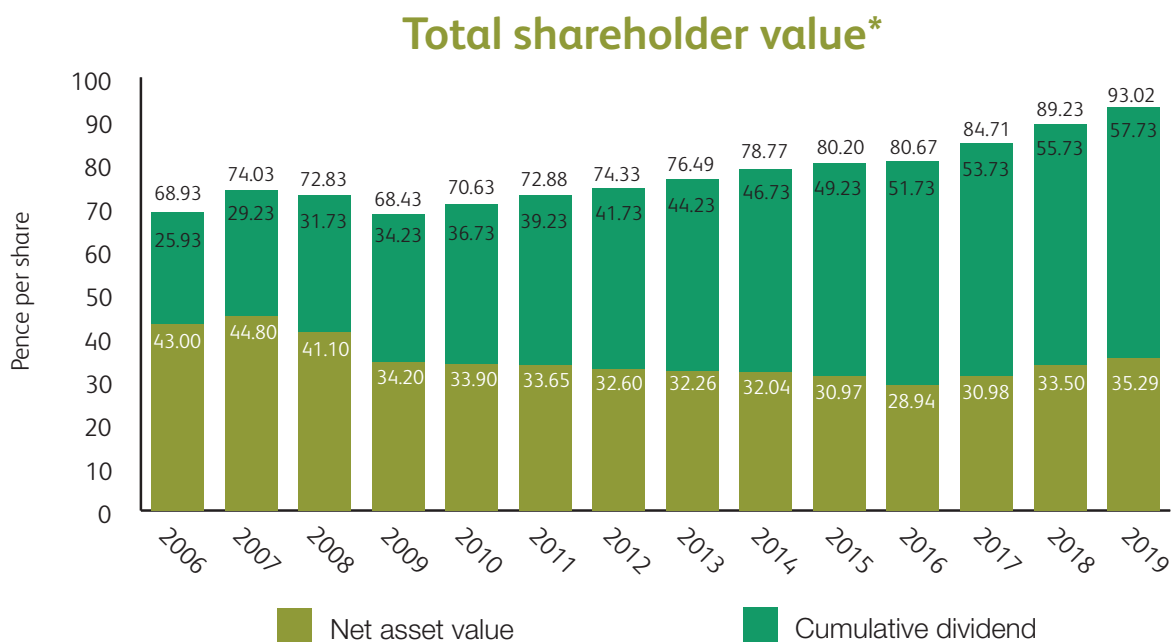
The Company's portfolio is well balanced across sectors and risk classes and the Board believes that the Company is well positioned to seek out and capitalise on new opportunities.

After another promising result for the year, the Board remains confident that the fundamentals of the companies within the portfolio and the new companies that are being backed, give the Company the potential to deliver attractive returns for shareholders but the political and economic background remains challenging.

## Key performance indicators

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

### 1. Increase in total shareholder value



\*Total shareholder return is net asset value plus cumulative dividends

Source: Albion Capital Group LLP

Total shareholder value increased by 3.79 pence per share to 93.02 pence per share (2018: 89.23) for the year ended 30 June 2019.

### 2. Shareholder return in the year †

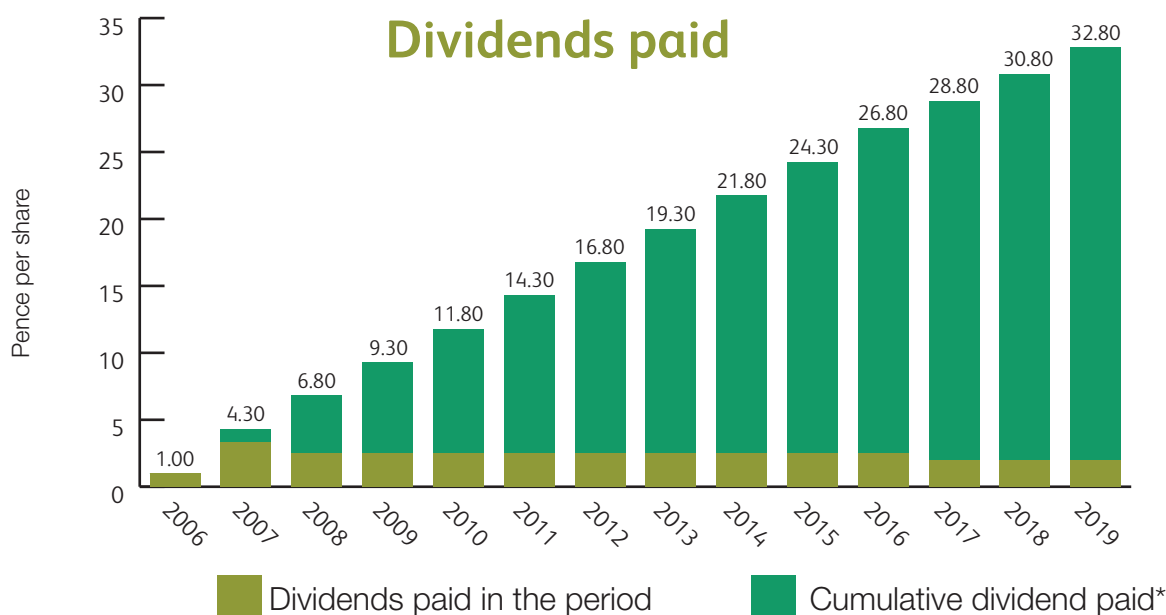
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
3.8%	11.9%	(2.7%)	(10.6%)	6.3%	6.6%	4.3%	6.6%	7.1%	4.5%	1.5%	14.0%	14.6%	11.3%

Source: Albion Capital Group LLP

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

Annual total return to shareholders has remained positive for the tenth consecutive year and for the year ended 30 June 2019 was 11.3 per cent.

### 3. Dividend distributions



\*Since Albion Capital Group LLP was appointed Manager in April 2005  
 Source: Albion Capital Group LLP

Dividends paid in respect of the year ended 30 June 2019 were 2.00 pence per share (2018: 2.00 pence per share). Cumulative dividends paid since launch (on 18 January 1998) amount to 57.73 pence per share.

### 4. Ongoing charges

The ongoing charges ratio for the year ended 30 June 2019 marginally decreased to 2.3 per cent. (2018: 2.4 per cent.). The ongoing charges ratio has been calculated using The Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the year ahead to remain stable at approximately 2.3 per cent.

### 5. Running yield

The running yield on the portfolio (investment income divided by the average net asset value) for the year to 30 June 2019 was 2.2 per cent. (2018: 2.2 per cent.).

### 6. VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on page 32.

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 30 June 2019. These showed that the Company has complied with all tests and continues to do so.

### Operational arrangements

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

### Management agreement

Under the terms of the Management agreement, the Manager is paid an annual fee equal to 1.75 per cent. of the net asset value of the Company plus £50,000 fee per annum for administrative and secretarial services. Total normal running costs, including the management fee, are limited to 3.0 per cent. of the net asset value. The Manager is entitled to an arrangement fee, payable by each portfolio company in which the Company invests, in the region of 2.0 per cent. on each investment made, and also monitoring fees where the Manager has a representative on the portfolio company's board.

Further details of fees paid to the Manager can be found in note 5.

The management agreement can 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.

## Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Manager is entitled to charge an incentive fee in the event that the returns exceed minimum target levels per share. Under the incentive arrangements, the Company will pay an incentive fee to the Manager of an amount equal to 20% of such excess return that is calculated for each financial year.

The target level requires that the growth of the aggregate of the net asset value per share and dividends paid by the Company or declared by the Board and approved by the shareholders during the relevant period (both revenue and capital), compared with the previous accounting date, exceeds the average base rate of the Royal Bank of Scotland plc plus 2.0 per cent. If the target return is not achieved in a period, the cumulative shortfall is carried forward to the next accounting period and has to be made up before an incentive fee becomes payable.

There was no management performance incentive fee payable during the year (2018: nil). As at 30 June 2019 the cumulative shortfall of the target return was 0.60 pence per share (2018: 2.68 pence per share) and this amount needs to be made up in the next accounting period(s) before an incentive fee becomes payable.

## 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. (now 80 per cent. from 1 July 2019) 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. Having carried out this evaluation, the Board believes that it is in the interest of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

## Alternative Investment Fund Managers Directive (“AIFMD”)

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

## 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.

Thereafter, it is the Board’s policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company’s interest and 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 30 June 2019 can be found in note 15 of the Financial Statements.

## Environmental, Social, and Governance (“ESG”)

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

## Social and community issues, employees and human rights

The Board recognises the requirement under section 414C of the Companies Act 2006 (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.

## General Data Protection Regulation

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

## Further policies and statements

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

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

and these are set out in the Directors’ report on pages 32 and 33.

## Risk management

The Board carries out a regular review of the risk environment in which the Company operates. In addition to the risks and uncertainties outlined in the Chairman's statement, the principal risks and uncertainties of the Company, as identified by the Board, and how they are managed are as follows:

Risk	Possible consequence	Risk management
Investment, performance and valuation risk	<p>The risk of investment in poor quality businesses, which could reduce the returns to shareholders, and could negatively impact on the Company's current and future valuations.</p> <p>By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more volatile than larger, long established businesses.</p> <p>The Company's investment valuation methodology is reliant on the accuracy and completeness of information that is issued by portfolio companies. In particular, the Directors may not be aware of or take into account certain events or circumstances which occur after the information issued by such companies is reported.</p>	<p>To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on matters discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.</p> <p>The unquoted investments held by the Company are designated at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. The valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board.</p>
VCT approval risk	<p>The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns. Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.</p>	<p>To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, and are used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare &amp; Associates LLP as its taxation adviser, who report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a new portfolio company is also pre-cleared with our professional advisers or H.M. Revenue &amp; Customs.</p>
Regulatory and compliance risk	<p>The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.</p>	<p>Board members and the Manager have experience of operating at senior levels within or advising quoted companies. In addition, the Board and the Manager receive regular updates on new regulation, including legislation on the management of the Company, from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's compliance officer, and any issues arising from compliance or regulation are reported to its own board on a monthly basis. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's compliance officer. The report on controls is also evaluated by the internal auditors.</p>

Risk	Possible consequence	Risk management
Operational and internal control risk	<p>The Company relies on a number of third parties, in particular the Manager, for the provision of investment management and administrative functions. Failures in key systems and controls within the Manager's business could place assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.</p>	<p>The Company and its operations are subject to a series of rigorous internal controls and review procedures exercised throughout the year, and receives reports from the Manager on internal controls and risk management, including on matters relating to cyber security.</p> <p>The Audit and Risk Committee reviews the Internal Audit Reports prepared by the Manager's internal auditor, PKF Littlejohn LLP and has access to the internal audit partner of PKF Littlejohn LLP to provide an opportunity to ask specific detailed questions in order to satisfy itself that the Manager has strong systems and controls in place including those in relation to business continuity and cyber security.</p> <p>From 1 October 2018, Ocorian (UK) Limited was appointed as Depositary to oversee the custody and cash arrangements and provide other AIFMD duties. The Board reviews the quarterly reports prepared by Ocorian (UK) Limited to ensure that Albion Capital is adhering to its policies and procedures as required by the AIFMD.</p> <p>In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment objective and policies. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual.</p>
Economic and political risk	<p>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.</p>	<p>The Company invests in a diversified portfolio of companies across a number of industry sectors and in addition often invests in a mixture of instruments in portfolio companies and has a policy of minimising any external bank borrowings within portfolio companies.</p> <p>At any given time, the Company has sufficient cash resources to meet its operating requirements, including share buy-backs and follow on investments.</p>
Market value of Ordinary shares	<p>The market value of Ordinary shares can fluctuate. The market value of an Ordinary share, as well as being affected by its net asset value and prospective net asset value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary share may vary considerably from its underlying net asset value. The market prices of shares in quoted investment companies can, therefore, be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment and other factors. Accordingly, the market price of the Ordinary shares may not fully reflect their underlying net asset value.</p>	<p>The Company operates a share buy-back policy, which is designed to limit the discount at which the Ordinary shares trade to around 5 per cent. to net asset value, by providing a purchaser through the Company in absence of market purchasers. From time to time buy-backs cannot be applied, for example when the Company is subject to a close period, or if it were to exhaust any buy-back authorities.</p> <p>New Ordinary shares are issued at sufficient premium to net asset value to cover the costs of issue and to avoid asset value dilution to existing investors.</p>

## Viability statement

In accordance with the FRC UK Corporate Governance Code published in 2016 and principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 30 June 2022. The Directors believe that three years is a reasonable period in which they can assess the ability of the Company to continue to operate and meet its liabilities, as they fall due and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timelines for finding, assessing and completing investments.

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

The Board assessed the ability of the Company to raise finance and deploy capital. The portfolio is well balanced and geared towards long term growth delivering dividends and capital growth to shareholders. In assessing the prospects of the Company, the Directors have considered the cash flow by looking at the Company's income and expenditure projections and funding pipeline over the assessment period of three years and they appear realistic.

Taking into account the processes for mitigating risks, monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model and the balance of the portfolio, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 30 June 2022.

This Strategic report of the Company for the year ended 30 June 2019 has been prepared in accordance with the requirements of section 414A of the Act. The purpose of this report is to provide Shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

On behalf of the Board,

**Richard Huntingford**

Chairman

27 September 2019

# The Board of Directors

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

**Richard Huntingford FCA, (appointed 15 May 2012)**, is a Chartered Accountant who spent 12 years at KPMG where he advised a wide range of clients, followed by 20 years in the media industry, primarily with Chrysalis plc where he founded Heart FM as a start-up venture in 1994. As Chief Executive, Richard developed Chrysalis from its record label origins into a broadly based media group before presiding over a realisation programme that delivered significant value for Chrysalis shareholders. He is currently non-executive Chairman of Future plc, a global platform business for specialist media, and a non-executive director of JP Morgan Mid Cap Investment Trust PLC and of The Bankers Investment Trust PLC. He has also served as a non-executive director of Virgin Mobile in 2005 to 2006, as Chairman of Boomerang Plus PLC from 2008 to 2012, as non-executive director/Chairman of Creston PLC from 2011 to 2016 and as Chairman of Wireless Group plc (formerly UTV Media PLC) from 2012 to 2016.

**James Agnew (appointed 1 November 2015)**, has extensive experience in investment banking and private equity fund management. From 1996 to 2005 he worked for Credit Suisse First Boston in New Zealand and London, where he was involved in a wide range of investment banking transactions including mergers and acquisitions and equity and debt fundraising, as well as general corporate finance advice. He is currently a partner at Harwood Capital LLP (formerly J O Hambro Capital Management), which he joined in 2005, where his responsibilities include origination, monitoring and execution of private equity investments.

**Karen Brade (appointed 8 October 2010)**, has over 25 years of experience in project finance and private equity. Karen began her career at Citibank where she worked on various multi-national project finance transactions. From 1994 to 2004 she was at CDC, the UK's development finance institution, where she held a variety of positions in equity and debt investing, portfolio management, fund raising and investor development. Since 2005 she has been an adviser to hedge funds, family offices and private equity houses. She chairs Aberdeen Japan Investment Trust PLC and Keystone Investment Trust plc, and is a non executive director of Augmentum Fintech plc. She is an external member of the Manager's Investment Committee. Karen Brade will resign as a Director on 30 September 2019.

**Penny Freer (appointed 31 October 2014)**, is an experienced investment banker with extensive experience at Board level. From 2000 to 2004 she led Robert W Baird's UK equities division; prior to this she spent 8 years at Credit Lyonnais Securities where she headed the small and mid-cap equities business. She jointly founded Capital Markets Group in 2004, a corporate advisory business. Penny is currently a partner at London Bridge Capital Partners LLP, which provides corporate finance advice to UK and overseas companies. She is, in addition, a non-executive director of Empresaria Group PLC, Advanced Medical Solutions Group PLC and Henderson Smaller Companies Investment Trust.

**Pam Garside (appointed 1 March 2019)**, is a highly experienced healthcare entrepreneur and an advisor to government, NHS and private sector organisations in the health sector in the UK and US. She is a Fellow of the Judge Business School at the University of Cambridge, a member of the investment committee of Cambridge Enterprise and Cambridge Angels, and co-chair of the Cambridge Health Network.

All Directors are members of the Audit and Risk Committee and Karen Brade is Chairman. James Agnew is the Chairman of the Audit and Risk Committee from 1 October 2019.

All Directors are members of the Nomination Committee and Richard Huntingford is Chairman.

All Directors are members of the Remuneration Committee and Penny Freer is Chairman.

Karen Brade is the Senior Independent Director. Penny Freer is the Senior Independent Director from 1 October 2019.

Albion Capital Group LLP, is authorised and regulated by the Financial Conduct Authority and is the Manager of Crown Place VCT PLC. In addition, it manages a further five venture capital trusts, the UCL Technology Fund and provides administration services to Albion Community Power Limited and Albion Care Communities Limited. Albion Capital, together with its subsidiary, OLIM Investment Managers, currently has total assets under management or administration of approximately £1 billion. Albion Capital has recently won two awards: Investor Allstars Venture Capital Trust of the Year 2018 and Growth Investor of the Year 2018.

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

**Will Fraser-Allen BA (Hons), FCA**, is currently the managing partner of Albion Capital. He has 17 years' experience investing in healthcare, leisure, media and technology enabled businesses. He joined Albion Capital in 2001, became deputy managing partner in 2009 and managing partner in 2019. Prior to joining Albion, Will qualified as a chartered accountant with Cooper Lancaster Brewsters and has a BA in History from Southampton University.

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

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

**Adam Chirkowski MA (Hons)**, is an investment director at Albion Capital, currently concentrating on renewable energy projects, healthcare and investments in the asset-based portfolio. Prior to joining Albion Capital in 2013, Adam spent five years at Rothschild, having graduated from Nottingham University with a first class degree in Industrial Economics and a Masters in Corporate Strategy and Governance.

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

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

**Vikash Hansrani BA (Hons), FCA**, is the operations partner of Albion Capital. Vikash oversees the finance and administration of the funds under Albion's management and is also finance director of OLIM Investment Managers and is on the AIC's VCT Technical Committee. He was previously the finance director of Albion Community Power Limited. He joined Albion Capital in 2010, having qualified as a chartered accountant with RSM working latterly in its corporate finance team, and became a partner in 2017. He has a BA in Accountancy & Finance from Nottingham Business School.

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

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

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

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

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

**Robert Whitby-Smith BA (Hons), FCA**, is a partner at Albion Capital specialising in software investing. Robert joined Albion Capital in 2005 and became a partner in 2009. Previously Robert worked in corporate finance for Credit Suisse, KPMG and ING Barings, after qualifying as a chartered accountant.

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

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



# Portfolio of investments

Portfolio company	Activity	% voting rights of Albion*		At 30 June 2019		At 30 June 2018		Change in value for the year** £'000
		% voting rights	% managed companies	Cost £'000	Value £'000	Cost £'000	Value £'000	
Radnor House School (Holdings) Limited	Independent schools for children aged 5 -18	9.0	50.0	2,665	6,770	2,746	6,055	796
ELE Advanced Technologies Limited	Manufacturer of precision engineering components	41.9	41.9	1,050	4,453	1,050	3,404	1,049
Shinfield Lodge Care Limited	Owner and operator of a 66 bed care home in Shinfield, Berkshire	11.8	50.0	2,140	4,216	2,140	3,814	402
Chonais River Hydro Limited	Owner and operator of a 2 MW hydro-power scheme in the Scottish Highlands	14.0	50.0	1,549	3,255	1,549	3,294	(39)
Active Lives Care Limited	Owner and operator of a 75 bed care home in Cumnor Hill, Oxfordshire	7.5	50.0	1,620	2,771	1,620	2,556	215
Proveca Limited	Reformulation of paediatric medicines	6.1	49.9	974	2,317	586	1,211	718
Ryefield Court Care Limited	Owner and operator of a 60 bed care home in Hillingdon, Middlesex	7.7	50.0	1,275	2,239	1,275	2,108	131
Quantexa Limited	Network analytics platform to detect financial crime	1.8	12.3	438	1,816	190	1,568	-
Gharagain River Hydro Limited	Owner and operator of a 1 MW hydro-power scheme in the Scottish Highlands	15.0	50.0	1,116	1,650	1,116	1,671	(21)
Mirada Medical Limited	Developer of medical imaging software	5.8	42.4	511	1,531	348	965	465
Process Systems Enterprise Limited	Process modelling software and services	1.3	20.2	138	1,372	138	449	923
G.Network Communications Limited	Ultra-fast fibre optic broadband provider in central London	2.5	20.4	580	1,269	580	943	326
Beddlestead Limited	Developer and operator of a dedicated wedding venue	8.2	49.0	1,060	1,066	892	893	5
Bravo Inns II Limited	Owner and operator of freehold pubs	3.6	50.0	595	871	595	764	107
Egress Software Technologies Limited	Encrypted email and file transfer service provider	0.9	24.7	306	846	187	422	305
The Street by Street Solar Programme Limited	Owns and operates photovoltaic systems on domestic properties	4.4	50.0	461	812	461	797	15
The Ewell (Harley Street) Limited	Operator of a women's health centre focusing on fertility	6.2	40.0	778	778	778	779	(1)
Convertr Media Limited	Digital lead generation software	4.3	27.0	664	676	600	779	(167)
Alto Prodotto Wind Limited	Owns and operates community scale wind energy projects	4.1	50.0	345	577	361	616	(17)
Regenerco Renewable Energy Limited	Generator of renewable energy from roof top solar installations	3.4	50.0	344	558	344	528	30
MPP Global Solutions Limited	Provides a digital subscription management platform	1.9	13.5	550	550	550	550	-
DySIS Medical Limited	Medical devices for the detection of cervical cancer	2.3	16.3	1,038	536	1,005	494	43
Avora Limited	Developer of software to improve decision making through augmented analytics & machine learning	3.2	18.7	510	510	-	-	-
MHS 1 Limited	Education	6.9	50.0	481	480	481	481	(1)
Secured by Design Limited	Automotive technology research and consultancy provider	1.5	10.0	220	469	220	289	180
Black Swan Data Limited	Data analysis that supports corporate decision making	1.0	12.4	454	454	454	454	-

# Portfolio of investments continued

Portfolio company	Activity	% voting rights of Albion* % voting rights managed companies		At 30 June 2019		At 30 June 2018		Change in value for the year** £'000
				Cost £'000	Value £'000	Cost £'000	Value £'000	
Oviva AG	A technology enabled service business in medical nutritional therapy (MNT)	2.5	15.9	435	449	435	544	(95)
Locum's Nest Limited	Provides a technology solution for the management of locum doctors for the NHS	4.5	28.4	400	424	80	104	–
MyMeds&Me Limited	Provides a platform for collecting data from pharmaceutical adverse events	4.6	42.1	440	416	440	509	(93)
Koru Kids Limited	Online marketplace connecting parents and nannies	1.7	9.7	200	389	200	200	189
Zift Channel Solutions Inc.	Business collaboration and communication solutions	0.6	6.4	321	366	321	378	(12)
Phrasee Limited	AI platform that generates optimised marketing campaigns	1.7	11.0	356	356	–	–	–
Panaseer Limited	Provider of cyber security services	1.5	11.6	253	351	253	351	–
Limitless Technology Limited	Provider of a customer service platform powered by the crowd and machine learning technology	1.8	12.8	280	280	–	–	–
Cisiv Limited	Software and services for non-interventional clinical trials	3.1	30.9	278	267	216	112	93
Bravo Inns Limited	Owner and operator of freehold pubs	2.6	50.0	306	251	306	220	31
Clear Review Limited	Provider of talent management software to mid market enterprises	1.8	14.4	231	231	–	–	–
Arecor Limited	Development of biopharmaceuticals through the application of a formulation technology platform	1.1	7.4	210	210	–	–	–
Oxsensis Limited	Developer and producer of high temperature sensors	1.4	20.6	274	210	238	141	33
AVESI Limited	Owns and operates photovoltaic systems on domestic properties	3.8	50.0	123	177	123	175	2
memsstar Limited	Refurbisher and manufacturer of MEMS and semiconductor fabrication equipment	3.0	44.7	97	169	109	202	(21)
InCrowd Sports Limited	Developer of mobile apps for professional sports clubs	1.7	12.2	147	161	147	161	–
Forward Clinical Limited	A secure mobile communication and collaboration platform in healthcare	1.5	9.3	160	160	–	–	–
Sandcroft Avenue Limited (Husle)	A provider of flexible access to gyms	0.9	22.0	159	151	159	166	(15)
OmPrompt Holdings Limited	A provider of process automation software	1.6	41.2	153	148	133	103	25
Kew Green VCT (Stansted) Limited	Operator of a Holiday Inn Express hotel at Stansted Airport	2.0	50.0	22	121	22	102	19
Abcodia Limited	Validation and discovery of serum biomarkers	1.7	19.5	304	107	304	107	–
Imandra Inc.	Provider of automated software testing and an enhanced learning experience for artificial neural networks	1.1	7.9	106	106	–	–	–
Greenenerco Limited	Owns & operates a 500kW wind project	1.9	50.0	59	102	62	105	–

# Portfolio of investments continued

Portfolio company	Activity	% voting rights of Albion* % voting rights managed companies		At 30 June 2019		At 30 June 2018		Change in value for the year** £'000
				Cost £'000	Value £'000	Cost £'000	Value £'000	
uMotif Limited	A patient engagement and data capture platform for use in research	0.9	6.2	140	98	140	140	(42)
Aridhia Informatics Limited	Healthcare informatics and analysis provider	2.3	21.6	442	94	412	148	(84)
Healios Limited	Provider of an online platform delivering family centric psychological care	0.8	5.2	75	75	75	75	–
ePatient Network Limited (Raremark)	Online community connecting people affected by rare diseases	1.2	8.0	115	73	–	–	(42)
Innovation Broking Group Limited	Commercial insurance broker	2.7	30.0	27	59	27	42	17
Symetrica Limited	A designer and manufacturer of radiation detection equipment	0.2	3.7	43	43	–	–	–
Palm Tree Technology Limited	Software company	0.2	0.7	102	12	102	31	(19)
Other holdings				486	507	486	502	5
<b>Total unquoted investments</b>				<b>28,606</b>	<b>49,405</b>	25,056	40,502	<b>5,455</b>
<b>Quoted investments</b>								
Augean PLC	Waste management	0.4	0.4	593	407	593	130	277
Mi-Pay Group PLC	Provider of mobile payment services	3.0	31.6	713	130	713	130	–
Avanti Communications Group plc	Supplier of satellite communications	0.1	0.1	136	1	136	3	(2)
<b>Total quoted investments</b>				<b>1,442</b>	<b>538</b>	1,442	263	<b>275</b>
<b>Total fixed asset investments</b>				<b>30,048</b>	<b>49,943</b>	26,498	40,765	<b>5,730</b>

\* Albion Capital Group LLP

\*\* As adjusted for additions and disposals between the two accounting periods

The comparative cost and valuations for 30 June 2018 do not reconcile to the Annual Report and Financial Statements for the year ended 30 June 2018 as the above list does not include brought forward investments that were fully disposed of in the year.

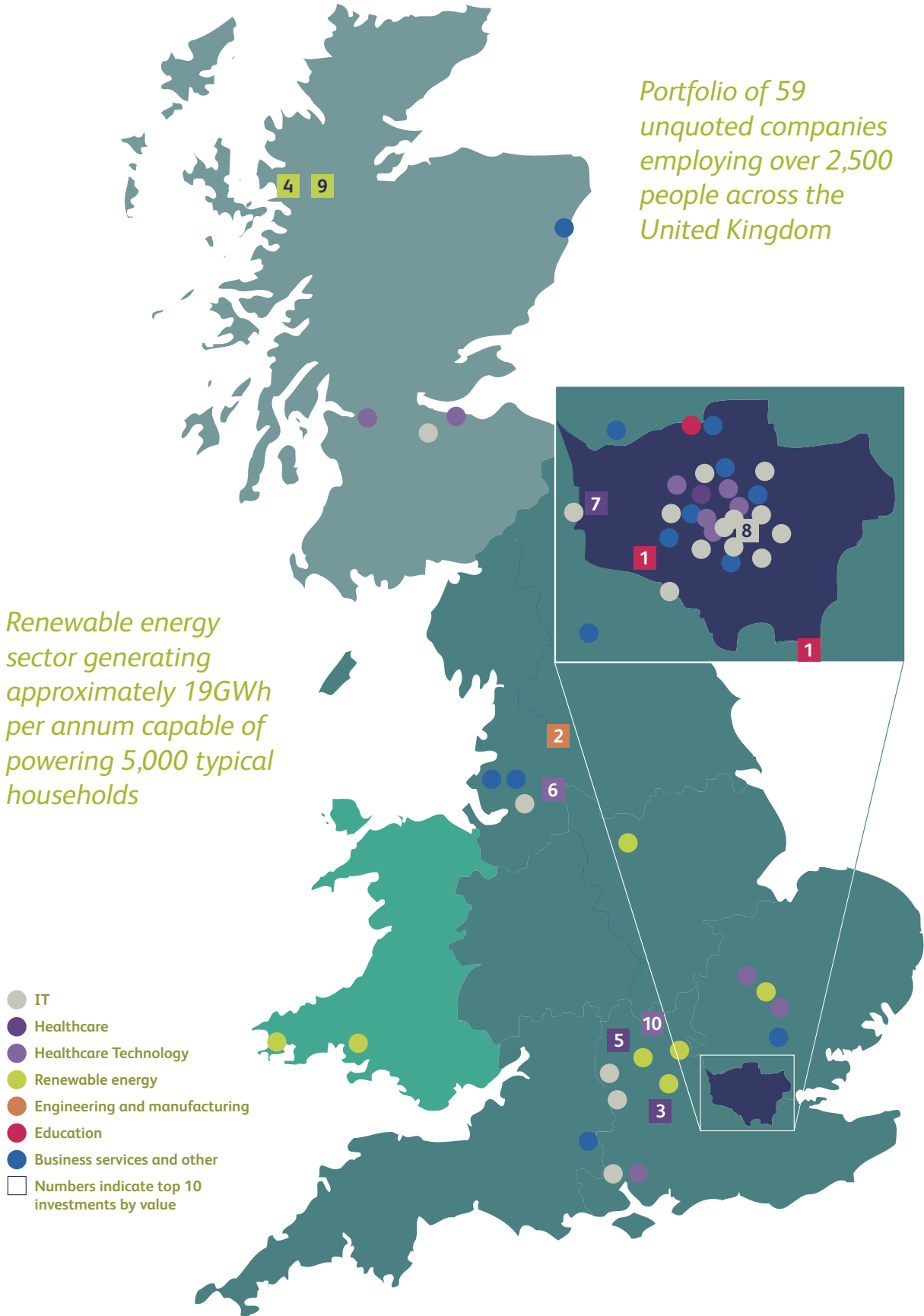
# Portfolio of investments continued

	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
<b>Realisations in the year to 30 June 2019</b>					
<b>Disposals:</b>					
Earnside Energy Limited	1,123	1,240	1,276	153	36
The Stanwell Hotel Limited	1,682	513	915	(767)	402
Infinite Ventures (Goathill) Limited	256	377	366	110	(11)
CSS Group Limited	28	6	9	(19)	3
Tambla Limited (Previously Comops Limited)	13	10	8	(5)	(2)
<b>Loan stock repayments and restructurings:</b>					
Mirada Medical Limited	258	319	347	89	28
DySIS Medical Limited	206	238	238	32	–
Radnor House School (Holdings) Limited	81	81	81	–	–
Alto Prodotto Wind Limited	15	23	23	8	–
memsstar Limited	10	10	10	–	–
Greenenerco Limited	2	3	3	1	–
<b>Escrow adjustments and other:</b>					
Escrow adjustments	–	–	90	90	90
<b>Total fixed asset investment realisations</b>	<b>3,674</b>	<b>2,820</b>	<b>3,366</b>	<b>(308)</b>	<b>546</b>

<b>Total change in value of investments for the year</b>	<b>5,730</b>
Movement in loan stock accrued interest	199
<b>Unrealised gains sub-total</b>	<b>5,929</b>
Realised gain in current year	546
<b>Total gains on investments as per Income statement</b>	<b>6,475</b>

# Portfolio companies

## Geographical locations



The top ten investments by value are as follows:



Website: [www.radnorhouse.org](http://www.radnorhouse.org)

## 1. Radnor House School (Holdings) Limited

Radnor House operates two independent schools in Twickenham and Sevenoaks. The Twickenham school trades at near mature levels with more than 400 children on the roll. The school in Sevenoaks, which was acquired in 2015 as a turnaround opportunity, is now growing strongly with over 400 children on the roll and further capacity to expand. Both schools aim to deliver a personalised education experience to each student with a focus on learning. The curriculum and co-curricular activities are designed to give each child a wide range of academic and other skills and prepare him or her for a dynamic and rapidly changing world.

### Audited results:

year to 31 August 2018

	£'000	Investment information	£'000
Turnover	12,952	Income recognised in the year	320
EBITDA	2,194	Total cost	2,665
Profit before tax	40	Total valuation	6,770
Net assets	37,363	Voting rights	9.0 per cent.
Basis of valuation:	Third party valuation – earnings multiple	Voting rights of all Albion managed companies	50.0 per cent.
		Year of initial investment	2010





Website: [www.eleat.co.uk](http://www.eleat.co.uk)

## 2. ELE Advanced Technologies Limited

The Company is a specialist engineering company combining a number of niche processes to produce high integrity components for a variety of industries, including aerospace, industrial gas turbines and automotive at its factories in Lancashire and Slovakia.

### Audited results: period to 30 April 2018

	£'000
Turnover	14,266
EBITDA	1,955
Profit before tax	1,075
Net assets	5,417
Basis of valuation:	Earnings multiple

### Investment information

	£'000
Income recognised in the year	–
Total cost	1,050
Total valuation	4,453
Voting rights	41.9 per cent.
Voting rights of all Albion managed companies	41.9 per cent.
Year of initial investment	2000

## 3. Shinfield Lodge Care Limited

The company operates a 66 bed, purpose built residential care home in Shinfield near Reading, Berkshire. The home provides residential and dementia care to elderly residents and attracts fees in line with the high end, private pay market it targets. Promoting social interaction and offering a wide range of activities are at the core of the care philosophy. The home was recently voted one of the Top 20 care homes in the South East of England. The home trades at mature occupancy.



Website: [www.shinfieldview.com](http://www.shinfieldview.com)

### Filleted audited results: year to 31 December 2018

	£'000
Net liabilities	(714)
Basis of valuation:	Third party valuation – earnings multiple

### Investment information

	£'000
Income recognised in the year	257
Total cost	2,140
Total valuation	4,216
Voting rights	11.8 per cent.
Voting rights of all Albion managed companies	50.0 per cent.
Year of initial investment	2015

## 4. Chonais River Hydro Limited

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



Website: [www.greenhighland.co.uk](http://www.greenhighland.co.uk)

### Filleted audited results: year to 30 September 2018

	£'000
Net assets	6,484
Basis of valuation:	Third party valuation – discounted cash flow

### Investment information

	£'000
Income recognised in the year	72
Total cost	1,549
Total valuation	3,255
Voting rights	14.0 per cent.
Voting rights of all Albion managed companies	50.0 per cent.
Year of initial investment	2013



Website: [www.cumnorhillhouse.com](http://www.cumnorhillhouse.com)

## 5. Active Lives Care Limited

The company operates a 75 bed, purpose built residential care home in Cumnor Hill, Oxford. The home provides nursing, residential and dementia care to elderly residents and attracts fees in line with the high end, private pay market it targets. Promoting social interaction and offering a wide range of activities are at the core of the care philosophy. Occupancy continues to grow as the home nears maturity. In June 2018 the home was rated “Outstanding” by CQC, the regulatory body, which places it among the top 1% of care homes in London and the South East.

### Filleted audit results: year to 31 December 2018

	£'000
Net liabilities	(2,288)
Basis of valuation:	Third party valuation – earnings multiple

### Investment information

	£'000
Income recognised in the year	204
Total cost	1,620
Total valuation	2,771
Voting rights	7.5 per cent.
Voting rights of all Albion managed companies	50.0 per cent.
Year of initial investment	2014



Website: [www.proveca.co.uk](http://www.proveca.co.uk)

## 6. Proveca Limited

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

### Filleted audited results: year to 31 July 2018

Net liabilities	£'000	(5,548)
Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)	

### Investment information

Income recognised in the year	£'000	–
Total cost		974
Valuation		2,317
Voting rights		6.1 per cent.
Voting rights for all Albion managed companies		49.9 per cent.
Year of initial investment		2012

## 7. Ryefield Court Care Limited

The company operates a 60 bed, purpose built residential care home in Hillingdon, London. The home provides residential and dementia care to elderly residents and attracts fees in line with the high end, private pay market it targets. Promoting social interaction and offering a wide range of activities are at the core of the care philosophy. In 2017 the home was among the top 1% of care homes in London and the South East. Separately, the home was recently voted one of the Top 20 care homes in London. The home is trading at mature levels.



Website: [www.ryefieldcourt.com](http://www.ryefieldcourt.com)

### Filleted audited results: year to 30 April 2018

Net liabilities	£'000	(1,381)
Basis of valuation:	Third party valuation – earnings multiple	

### Investment information

Income recognised in the year	£'000	157
Total cost		1,275
Total valuation		2,239
Voting rights		7.7 per cent.
Voting rights of all Albion managed companies		50.0 per cent.
Year of initial investment		2014

## 8. Quantexa Limited

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

### Audited results: year to

31 March 2018	£'000	Investment information	£'000
Turnover	5,018	Income recognised in the year	–
LBITDA	(1,441)	Total cost	438
Loss before tax	(1,539)	Total valuation	1,816
Net assets	2,609	Voting rights	1.8 per cent.
Basis of valuation:		Voting rights of all Albion managed companies	12.3 per cent.
Cost and price of recent investment (reviewed for impairment or uplift)		Year of initial investment	2017



Website: [www.quantexa.com](http://www.quantexa.com)

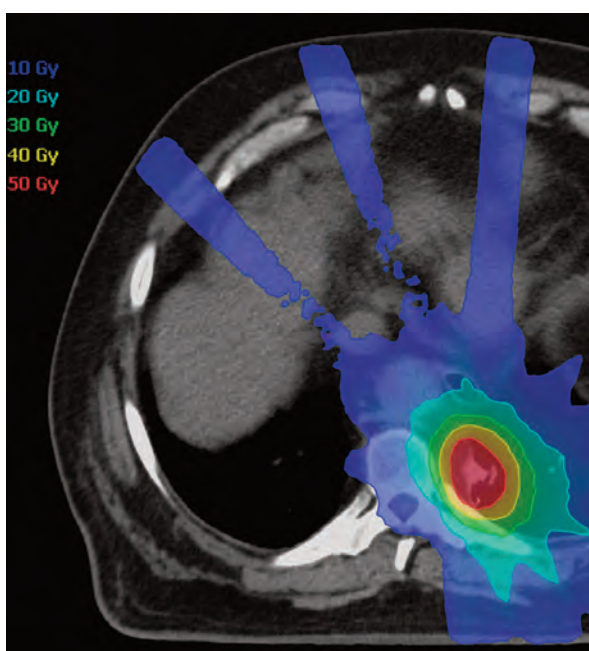
## 9. Gharagain River Hydro Limited

Website: [www.greenhighland.co.uk](http://www.greenhighland.co.uk)

Gharagain River Hydro is a 1MW hydropower scheme near Loch Carron in the Scottish Highlands, about 3 miles from Chonais River Hydro. It is a run-of-river scheme with the same design as Chonais River Hydro. It generates enough electricity to power about 1,000 homes. It benefits from inflation-protected renewable subsidies for a period of 20 years. The scheme was commissioned in 2014 and has been generating successfully since.

### Filleted audited results: year to 30 September 2018

	£'000	Investment information	£'000
Net assets	181	Income recognised in the year	36
Basis of valuation:	Third party valuation – discounted cash flow	Total cost	1,116
		Total valuation	1,650
		Voting rights	15.0 per cent.
		Voting rights of all Albion managed companies	50.0 per cent.
		Year of initial investment	2013



Website: [www.mirada-medical.com](http://www.mirada-medical.com)

## 10. Mirada Medical Limited

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

### Audited results: year to

31 December 2018	£'000	Investment information	£'000
Turnover	4,668	Income recognised in the year	12
LBITDA	(778)	Total cost	511
Loss before tax	(1,115)	Valuation	1,531
Net liabilities	(2,576)	Voting rights	5.8 per cent.
Basis of valuation:		Voting rights for all Albion managed companies	42.4 per cent.
Cost and price of recent investment (reviewed for impairment or uplift)		Year of initial investment	2008

# Directors' report

The Directors submit their Annual Report and the audited Financial Statements of Crown Place VCT PLC (the "Company") for the year ended 30 June 2019. The Statement of corporate governance on pages 37 to 41 forms a part of the Directors' report.

## BUSINESS REVIEW

### Principal activity and status

The principal activity of the Company is that of a Venture Capital Trust. It has been approved by H.M. Revenue & Customs ("HMRC") as a venture capital trust in accordance with Part 6 of the Income Tax Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007 and further details of this can be found on page 32 of this Directors' report. As with previous years, formal approval for the year ended 30 June 2019 is subject to review should there be any subsequent enquiry under corporation tax self-assessment.

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

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

### Capital structure

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

Ordinary shares represent 100 per cent. of the total share capital and voting rights. The Ordinary shares are designed for individuals who are seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments. The investments are spread over a number of sectors, to produce a regular and predictable source of income, combined with the prospect of longer term capital growth.

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

Shareholders are entitled to receive dividends and are entitled to the return of capital on winding up or other return of capital based on the surpluses attributable to the shares.

### Issue and buy-back of Ordinary shares

During the year, the Company issued a total of 24,304,489 Ordinary shares, of which 22,736,947 Ordinary shares were issued under the Albion VCTs Top Up Offers and 1,567,542 Ordinary shares were issued under the Company's Dividend Reinvestment Scheme (details of which can be found on [www.albion.capital/funds/CRWN](http://www.albion.capital/funds/CRWN) under the Dividend Reinvestment Scheme section). The Company was engaged in the Albion VCTs Prospectus Top Up Offers 2018/19 which closed on 3 April 2019, having been fully subscribed and reaching its £8m limit under the Prospectus dated 7 January 2019.

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current buy-back policy can be found on page 14 of the Strategic report. Details on share buy-backs during the year can be found in note 15.

### Substantial interests and shareholder profile

As at 30 June 2019 and the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the voting rights (2018: none). There have been no disclosures in accordance with Disclosure Guidance and Transparency Rule 5 made to the Company during the year ended 30 June 2019 and to the date of this report.

### Results and dividends

Detailed information on the results and dividends for the year ended 30 June 2019 can be found in the Strategic report on page 11.

### Future developments

Details on the future developments of the Company can be found in the Strategic report on page 11.

### Going concern

In accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014, the Board has assessed the Company's operation as a going concern. The Company has sufficient cash and liquid resources, its portfolio of investments is well diversified in terms of sector, and the major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence over a period of at least twelve months from the date of approval of the financial statements. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks

are shown in note 17. The Company's business activities, together with details of its performance are shown in the Strategic report and this Directors' report.

## Post balance sheet events

Details of events that have occurred since 30 June 2019 are shown in note 19.

## Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 15 and 16 of the Strategic report and in note 17.

## VCT regulation

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

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the HMRC value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings' (this has increased to 80 per cent. from 1 July 2019 for this VCT);
- (3) At least 70 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. Investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement;
- (4) At least 30 per cent. of funds raised in accounting periods beginning on or after 6 April 2018 must be invested in qualifying holdings by the anniversary of the end of the accounting period in which the funds were raised;
- (5) At the time of investment, or addition to an investment, the Company's holdings in any one company (other than another VCT) must not have exceeded 15 per cent. by HMRC value of its investments;
- (6) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (7) The Company's shares, throughout the year, must have been listed on a regulated European market;
- (8) An investment in any company must not cause that company to receive more than £5 million in State aid risk finance in the 12 months up to the date of the investment,

nor more than £12 million in total (the limits are £10 million and £20 million respectively for a "knowledge intensive" company);

- (9) The Company must not invest in a company whose trade is more than seven years old (ten years for a "knowledge intensive" company) unless the company previously received State aid risk finance in its first seven years, or the company is entering a new market and a turnover test is satisfied;
- (10) The Company's investment in another company must not be used to acquire another business, or shares in another company; and
- (11) The Company may only make qualifying investments or certain non-qualifying investments permitted by section 274 of the Income Tax Act 2007.

These tests drive a spread of investment risk through preventing holdings of more than 15 per cent. by HMRC value in any portfolio company. The tests have been carried out and independently reviewed for the year ended 30 June 2019. 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. Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the pie chart on page 10.

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

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

## Environment

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

## Global greenhouse gas emissions

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

## Anti-bribery policy

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

Albion Capital Group LLP reviews the anti-bribery policies and procedures of all portfolio companies.

## Anti-facilitation of tax evasion policy

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

## Diversity

The Board currently consists of three female directors and two 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 18.

The Manager has an equal opportunities policy and currently employs 13 men and 16 women.

## Employees

The Company is managed by Albion Capital Group LLP and hence has no employees.

## Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 42.

## Directors' indemnity

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

Indemnity entered into by the Company for each Director is available at the registered office of the Company.

## Re-election and election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code and are subject to re-election every three years. At the forthcoming Annual General Meeting, James Agnew will retire from the Board and will offer himself for re-election. As Pam Garside has been appointed since the last Annual General Meeting, she will resign and be subject to election at the forthcoming Annual General Meeting.

## Advising ordinary retail investors

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

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

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

## Alternative Investment Fund Managers Directive ("AIFMD")

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

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

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

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

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

## *Remuneration (unaudited)*

The Manager has a remuneration policy which meets the requirements of the AIFMD Remuneration Code and associated Financial Conduct Authority guidance.

The Manager has a Remuneration Committee (comprised of three partners) which decides upon the remuneration of partners and staff, taking into account the performance of the Manager generally as well as individual performance.

Annual partner and staff appraisals are carried out in order to assess individual performance against agreed objectives within the broader framework of Albion Capital's performance. Financial and non-financial criteria are taken into account when assessing performance. Variable remuneration will be based on a combination of the assessment of the performance of the individual, the Manager and the Manager's funds. The Manager does not link an individual's rewards to the success of individual portfolio investments but rather to the success of the Manager and its Funds as a whole.

The Remuneration Committee ensures an appropriate balance between fixed and variable components of remuneration of staff. In determining variable remuneration current and future risks are taken into account and variable remuneration is adjusted where appropriate. The Manager does not pay any guaranteed variable remuneration. Taking into account the amount of variable remuneration as a proportion of total remuneration and the size, nature and lack of complexity of the Manager's organisation and its activities, remuneration is not subject to deferral or performance adjustments.

The Manager has a policy which is designed to identify and manage conflicts of interest to the extent that these cannot be avoided and this applies to all staff.

## **Investment and co-investment**

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

## **Auditor**

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

## **Annual General Meeting**

The Annual General Meeting will be held at The Charterhouse, Charterhouse Square, London EC1M 6AN at noon on 27 November 2019. 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.

The summary of proxies lodged at the Annual General Meeting will be published at [www.albion.capital/funds/CRWN](http://www.albion.capital/funds/CRWN) under the Financial Reports and Circulars section.

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

## **Increase in Directors' aggregate remuneration limit**

Ordinary resolution number 7 to be proposed as special business at the Annual General Meeting increases the limit for the overall level of Directors' remuneration under the Company's Articles of Association from £100,000 to £150,000 per annum. The Directors are currently paid Directors' fees aggregating £97,000 per annum. There is no current intention of increasing these fees materially in the near term, but the new level proposed under the Articles of Association provides extra flexibility in the case, for example, of an additional Board member being appointed prior to the retirement of an existing Director.

## **Authority to allot shares**

Ordinary resolution number 8 will request the authority to allot up to an aggregate nominal amount of £414,341 representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this report.

The Directors' current intention is to allot shares under the Dividend Reinvestment Scheme and any Albion VCTs Top Up Offers. The Company currently holds 20,168,410 Ordinary shares in treasury which represents 9.7 per cent. of the total Ordinary share capital in issue as at 30 June 2019.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2018. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

## Disapplication of pre-emption rights

Special resolution number 9 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £414,341 of the nominal value of the share capital representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2018. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

## Purchase of own shares

Special resolution number 10 will request the authority to purchase a maximum of 31,054,880 shares representing 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 10. Shares bought back under this authority may be cancelled.

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. Details of share buy-backs during the year can be found in note 15.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2018. The authority sought at the forthcoming Annual General Meeting will expire 15 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

## Recommendation

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

## Disclosure of information to 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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

By Order of the Board

## Albion Capital Group LLP

Company Secretary

1 Benjamin Street

London, EC1M 5QL

27 September 2019

# Statement of Directors' responsibilities

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

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

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK GAAP, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare a Strategic report, a Director's report and Director's remuneration report which comply with the requirement 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, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

## Website publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's webpage on the Manager's website ([www.albion.capital](http://www.albion.capital)) 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 Manager's website is, so far as it relates to the Company, the responsibility of the Manager.

The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the Financial Statements since they were initially presented on the website.

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

The Directors confirm, to the best of their knowledge:

- The Financial Statements have been prepared in accordance with UK GAAP and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

**Richard Huntingford**

Chairman

27 September 2019

# Statement of corporate governance

## Background

The Financial Conduct Authority requires all premium 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 2016.

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

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

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

## Application of the principles of the code

The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust, 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. Richard Huntingford is the Chairman and Karen Brade is the Senior Independent Director. From 1 October 2019, Penny Freer will be the Senior Independent Director. 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.

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 on page 18. Directors are provided with key information on the Company’s activities, including regulatory and statutory requirements and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if

necessary. In accordance with the UK Corporate Governance Code, the Company has in place Directors’ and Officers’ Liability Insurance.

Karen Brade is an external member of the Investment Committee of Albion Capital Group LLP. The Board has reviewed and approved this role and concluded it does not affect her independence. Karen Brade will resign as a Director on 30 September 2019.

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender, experience and balance of skills. The Directors have also considered succession planning in light of the new Code requirements. Further details on the recruitment of new directors can be found in the Nomination Committee section on pages 39 and 40.

The Board met four times during the year as part of its regular programme of Board meetings. In addition, and in accordance with best practice, a meeting took place without the Manager present. All Directors attended each meeting, except for Pam Garside who joined the Board on 1 March 2019. A sub-committee of the Board comprising at least two Directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the Albion VCTs Top Up Offers and also met during the year to approve the terms and contents of the Offers document under the Albion VCTs Prospectus Top Up Offers 2018/19.

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

The Manager has delegated authority over the day-to-day 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;

# Statement of corporate governance

continued

- 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;
- 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 position, performance, strategy and business model of the Company.

## Committees' and Directors' performance evaluation

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

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

The evaluation process has identified that the Board works well together and has the right balance of independence, skills, experience and knowledge for the effective governance of the Company. The Board considers any skills gaps in existence and takes action to remedy these where necessary.

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

In light of the structured performance evaluation, James Agnew, who is subject to re-election, and Pam Garside, who is subject to election at the forthcoming Annual General Meeting, are considered to be effective Directors and demonstrate a strong commitment to the role. The Board believes it to be in the best interest of the Company to reappoint/appoint these Directors at the forthcoming Annual General Meeting.

## Remuneration Committee

The Remuneration Committee consists of all Directors and Penny Freer is the Chairman. The Committee meets annually to review both Directors responsibilities and salaries against the market.

The terms of reference for the Remuneration Committee can be found on the Company's webpage on the Manager's website at [www.albion.capital/funds/CRWN](http://www.albion.capital/funds/CRWN) in the Corporate Governance section.

## Audit and Risk Committee

The Audit and Risk Committee consists of all Directors and Karen Brade is the Chairman. From 1 October 2019, James Agnew will be the Chairman. The Board considers James Agnew's background and experience to be appropriate and to provide the necessary skills required for this role. In accordance with the Code, the members of the Audit and Risk Committee have recent and relevant financial experience. The Committee met twice during the year ended 30 June 2019; all members attended, except for Pam Garside who joined the Board on 1 March 2019.

Written terms of reference have been constituted for the Audit and Risk Committee and can be found on the Company's webpage on the Manager's website at [www.albion.capital/funds/CRWN](http://www.albion.capital/funds/CRWN) in the Corporate Governance section.

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

- formally reviewing the Annual Report and Financial Statements, the Half-yearly Financial Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the external Auditor to review their findings, including at least one meeting without the Manager present;
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board;
- evaluating the effectiveness of the external audit and the performance of the external Auditor including their terms of engagement and remuneration;
- addressing 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

# Statement of corporate governance

continued

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

## Financial Statements

The Audit and Risk 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 areas of disagreement arose between the Audit and Risk Committee and the external Auditor in respect of their work during the period.

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

### *The valuation of the Company's investments*

Valuations of investments are prepared by the Manager. The Audit and Risk Committee reviewed the estimates and judgements made in relation to these investments and were satisfied that they were appropriate. The 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 and Risk 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 and Risk Committee has considered the controls in place over revenue recognition to ensure that amounts received are in line with expectation and budget.

Following rigorous reviews of the Annual Report and Financial Statements and consideration of the key areas of risk identified, the Audit and Risk Committee and the Board, as a whole, have concluded that the Financial Statements are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

## Relationship with the external Auditor

The Audit and Risk 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 and effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Audit and Risk 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.

As part of its work, the Audit and Risk 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 Audit and Risk Committee took into account information from the Manager regarding the audit process, the formal documentation issued to the Audit and Risk Committee and the Board by the external Auditor as well as feedback given in a meeting without the Manager present, regarding the external audit for the year ended 30 June 2019, and assessments made by individual Directors.

In 2017, the Audit and Risk Committee undertook a tendering exercise for the provision of audit services. As a result of this process, BDO LLP was retained as Auditor. BDO first acted as Auditor for the year ended 30 June 2008 and this will be year 12 of their tenure. The Audit and Risk 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.

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

## Nomination Committee

The Nomination Committee consists of all Directors and Richard Huntingford is the Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises.

# Statement of corporate governance

continued

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

Terms of reference for the Nomination Committee can be found on the Company's webpage on the Manager's website at [www.albion.capital/funds/CRWN](http://www.albion.capital/funds/CRWN) in the Corporate Governance section. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

## Internal control

In accordance with the UK Corporate Governance Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the FRC guidance "Risk Management, Internal Control and Related Financial and Business Reporting". The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Board, through the Audit and Risk 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 and Risk Committee assists the Board in discharging its review responsibilities.

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

- segregation of duties between the preparation of valuations and recording into the accounting records;

- independent third party valuations of the majority of asset-based investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the valuation committee and reviews of financial reports are carried out by the operations partner of Albion Capital Group LLP;
- bank reconciliations are carried out monthly and stock reconciliations are carried out six-monthly by the Manager in accordance with FCA requirements;
- all published financial reports are reviewed by Albion Capital Group LLP's compliance department;
- the Board reviews financial information; and
- a separate Audit and Risk Committee of the Board reviews financial information (including the valuations) due to be published.

As the Board has delegated the investment management and administration to Albion Capital Group LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board has access to PKF Littlejohn LLP, which, as internal auditor for Albion Capital Group LLP, undertakes periodic examination of the business processes and controls environment at Albion Capital Group LLP; and ensures that any recommendations to implement improvements in controls are carried out. During the year, the Audit and Risk Committee and the Board reviewed internal audit reports prepared by PKF Littlejohn LLP. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

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

## Conflicts of interest

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

## Capital structure and Articles of Association

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on pages 31, 34 and 35 of the Directors' report. The Company is not party to any significant agreements that

# Statement of corporate governance

continued

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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 subject to ratification by shareholders.

## Relationships with shareholders

The Company's Annual General Meeting at noon on 27 November 2019 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit and Risk 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. Questions from shareholders on any matters relevant to the Company will be welcomed. After the formal business of the meeting, a member of the Albion investment team will make a presentation.

Shareholders are encouraged to attend the annual Shareholders' Seminar that will take place at Fishmongers' Hall on London Bridge at 10:00 am on 8 November 2019. The seminar will include some of our portfolio companies sharing insights into their businesses and will also have a presentation from Will Fraser-Allen, managing partner of Albion Capital Group LLP, which will reflect on some of the key factors affecting the investment outlook, as well as a review of the past year and the plans for the year ahead.

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

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

## Statement of compliance

The Directors consider that, with the exception of the requirement for the appointment of a Chief Executive Officer, the Company has complied throughout the year ended 30 June 2019 with all the relevant provisions set out in the Code issued in 2016 and with the AIC Code of Corporate Governance.

For and on behalf of the Board

**Richard Huntingford**

Chairman

27 September 2019

# Directors' remuneration report

## Introduction

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

An ordinary resolution will be proposed at the Annual General Meeting of the Company to be held on 27 November 2019 for the approval of the Annual Remuneration Report as set out below.

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

## UNAUDITED INFORMATION

### Annual statement from the Chairman of the Remuneration Committee

The Remuneration Committee comprises all Directors, with Penny Freer as Chairman.

The Remuneration Committee met once during the year to review Directors' responsibilities and fees against the market and, as noted in the Financial Statements and Annual Report for the year ended 30 June 2018, increased Directors' fees from 1 October 2018. The Remuneration Committee met once after the year end, and concluded that the current level of remuneration remained appropriate and so proposed no increase for the forthcoming year.

### Directors' remuneration policy

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

This policy was last voted on at the 2017 Annual General Meeting where 96.0% of shareholders voted for the resolution, (4.0% voted against the resolution and, of the total votes cast, 133,162 votes were withheld (being 0.1% of total voting rights)) approving the Directors' remuneration policy.

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

To provide extra flexibility in the case, for example, of an additional Board member being appointed prior to the retirement of an existing Director it is intended that the limit of non-executive Directors' remuneration is increased so as not to

exceed £150,000 per annum in aggregate. The amendment will be proposed as an ordinary resolution at the forthcoming Annual General Meeting. Details regarding this proposed change can be seen on page 34 of the Directors' report.

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. Accordingly, at the forthcoming Annual General Meeting, James Agnew will retire and offer himself for re-election. As Pam Garside has been appointed since the last Annual General Meeting, she will resign and be subject to election at the forthcoming Annual General Meeting. Karen Brade will resign as a Director on 30 September 2019.

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, 97.9% of shareholders voted for the resolution approving the Directors' remuneration report, 2.1% of shareholders voted against the resolution and of the total votes cast, 176,685 were withheld (being 0.1% of total voting rights), which shows significant shareholder support.

### Directors interests

The following items have been audited.

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

	Shares held as at 30 June 2019	Shares held as at 30 June 2018
Richard Huntingford	29,228	27,577
James Agnew	64,368	44,466
Karen Brade	43,206	40,766
Penny Freer	36,696	34,624
Pam Garside (appointed 1 March 2019)	42,613	n/a
	<b>216,111</b>	147,433

There have been no changes in the holdings of the Directors between 30 June 2019 and the date of this report.

# Directors' remuneration report continued

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

The following items have not been audited.

Albion Capital Group LLP, its partners and staff hold a total of 855,040 shares in the Company as at 30 June 2019.

## Annual report on remuneration

The remuneration of individual Directors is determined by the Remuneration Committee within the framework set by the Board.

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:

	Year ended 30 June 2019	Year ended 30 June 2018
	£	£
Richard Huntingford	24,000	24,000
James Agnew	21,500	20,000
Karen Brade	22,750	22,000
Penny Freer	21,500	20,000
Pam Garside (appointed 1 March 2019)	7,300	n/a
	<b>97,050</b>	86,000

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.

The Directors' collective total remuneration for the year ending 30 June 2020 is expected to be £96,500.

In addition to Directors' remuneration, the Company paid an annual premium in respect of Directors' and Officers' Liability Insurance of £8,269 (2018: £8,263).

## Service contracts

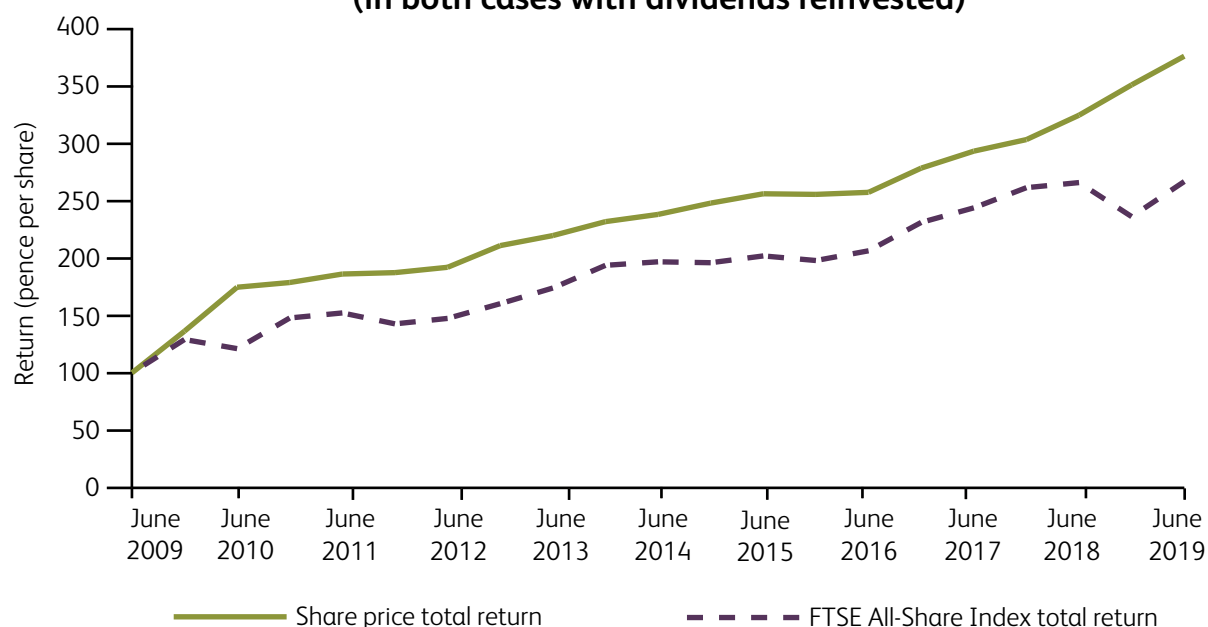
The Directors have letters of appointment under which retirement and re-appointment are governed by the Articles of Association of the Company.

## Performance graph

The graph that follows shows the Company's share price total return against the FTSE All-Share Index total return over the previous ten years, in both instances with dividends reinvested. The Directors consider the FTSE All-Share Index to be the most appropriate benchmark for the Company.

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

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



Source: Albion Capital Group LLP

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

### Directors' pay compared to distribution to shareholders

	2019 £'000	2018 £'000	Percentage change
Total dividend distribution to shareholders	3,280	3,085	6.3%
Share buybacks	861	715	20.4%
Total Directors' fees*	97	86	12.8%

\* The Directors fees for 2019 include a four month period of five Directors as part of the Board's succession planning.

For and on behalf of the Board

**Richard Huntingford**

Director

27 September 2019

# Independent Auditor's report to the Members of Crown Place VCT PLC

## Opinion

We have audited the financial statements of Crown Place VCT PLC (the "company") for the year ended 30 June 2019 which comprise the income statement, the balance sheet, the statement of changes in equity and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;

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

## Key audit matters

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

# Independent Auditor's report to the Members of Crown Place VCT PLC continued

Key Audit Matter	How we addressed the Key Audit Matter in the audit
<p><b>Valuation of investments (Note 2 and 11 to the financial statements)</b></p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting both equity and loan stock portions.</p> <p>The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 5.</p> <p>As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.</p>	<p>We tested a sample of 76% of the unquoted investment portfolio by value of investment holdings.</p> <p>36% of the unquoted portfolio is based on valuations using net assets (i.e. cash held), cost (where the investment was recently acquired), the price of a recent investment, or an offer to acquire the investee company. For such investments, we checked the cost, net assets or third party offer to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 30 June 2019.</p> <p>The remaining 64% of the investment portfolio is valued with reference to more subjective techniques with 49% supported by a valuation performed by a third party (14% based on discounted cash flows and 35% using earnings multiples). The remaining 15% of the portfolio is valued using multiples of revenue or earnings, as described in note 11.</p> <p>Our detailed testing for such investments, performed on all investments within our sample comprised:</p> <ul style="list-style-type: none"> <li>• Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines obtaining management explanations</li> <li>• Re-performed the calculation of the multiples-based investment valuations</li> <li>• Where a valuation has been performed by a third party management's expert, we assessed the competence and capabilities of that expert, the quality of their work and their qualifications, as well as challenging the basis of inputs and assumptions used by the expert (i.e. discount rates and earnings multiples). We also considered any updates for subsequent information to the valuation made by the investment manager and obtained appropriate evidence for those changes</li> <li>• Benchmarked key inputs and estimates to independent information and our own research</li> <li>• Challenged the assumptions inherent in the valuation of unquoted investments by reference to our database and knowledge and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements</li> <li>• Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation</li> <li>• Developed our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased</li> </ul> <p>For investments not included in our detailed testing, we performed the following procedures where relevant:</p> <ul style="list-style-type: none"> <li>• Considered whether the valuation had been prepared by a suitably qualified individual</li> <li>• Considered whether a valid IPEV methodology had been adopted</li> <li>• Considered whether the valuation used up to date trading information</li> </ul>

# Independent Auditor's report to the Members of Crown Place VCT PLC continued

Key Audit Matter	How we addressed the Key Audit Matter in the audit
	<p>For a sample of loans held at fair value included above, we:</p> <ul style="list-style-type: none"> <li>• Vouched security held to documentation</li> <li>• Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept (i.e. the investment as a whole)</li> <li>• Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP</li> </ul> <p>Based on the procedures performed we concluded that the valuation of the portfolio of investments was not materially misstated.</p>
<p><b>Revenue recognition (Note 2 and 4 to the financial statements)</b></p> <p>Revenue consists primarily of interest earned on loans to investee companies, as well as dividends receivable from investee companies.</p> <p>Revenue recognition is considered to be a significant risk, particularly the assessment of the recoverability of loan interest income, and the completeness of dividends, as it is one of the key drivers of dividend returns to investors.</p> <p>Income arises from unquoted investments and can be difficult to predict. It is often a key factor in demonstrating the performance of the portfolio.</p>	<p>We developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.</p> <p>We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income, considering management information relevant to the ability of the portfolio company to service the loan and the reasons for any arrears of loan interest.</p> <p>In respect of dividends receivable, we compared actual income to expectations set based on independent published data or management information from the investee company on dividends declared by the portfolio companies held.</p> <p>We have no matters to communicate in respect of the revenue recognition.</p>

## Our application of materiality

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

# Independent Auditor's report to the Members of Crown Place VCT PLC continued

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
<i>Financial statement materiality.</i> (2% of gross investments)	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> <li>The value of gross investments</li> <li>The level of judgement inherent in the valuation</li> <li>The range of reasonable alternative valuations</li> </ul>	£999,000 (30 June 2018: £860,000)
<i>Performance materiality.</i>	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> <li>Financial statement materiality</li> <li>Risk and control environment</li> <li>History of prior errors (if any)</li> </ul>	£750,000 (30 June 2018: £650,000)
<i>Specific materiality – classes of transactions and balances which impact on net realised returns.</i> (10% of the revenue return before tax, 30 June 2018 10% gross expenditure)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> <li>Revenue return</li> </ul>	£70,000 (30 June 2018: £120,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000 (2018 - £26,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

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

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

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

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

# Independent Auditor's report to the Members of Crown Place VCT PLC continued

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

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

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

## Opinions on other matters prescribed by the Companies Act 2006

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

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

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

# Independent Auditor's report to the Members of Crown Place VCT PLC continued

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of directors

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

## Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 30 June 2008 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 30 June 2019 by the Board. The period of total uninterrupted engagement is 12 years, covering the years ending 30 June 2008 to 30 June 2019.

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

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

## Use of our report

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

**Vanessa-Jayne Bradley** (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

27 September 2019

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

# Income statement

	Note	Year ended 30 June 2019			Year ended 30 June 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	6,475	6,475	–	7,366	7,366
Investment income	4	1,285	–	1,285	1,105	–	1,105
Investment management fees	5	(260)	(780)	(1,040)	(220)	(660)	(880)
Other expenses	6	(328)	–	(328)	(325)	–	(325)
<b>Profit on ordinary activities before tax</b>		<b>697</b>	<b>5,695</b>	<b>6,392</b>	560	6,706	7,266
Tax on ordinary activities	8	–	–	–	–	–	–
<b>Profit and total comprehensive income attributable to shareholders</b>		<b>697</b>	<b>5,695</b>	<b>6,392</b>	560	6,706	7,266
<b>Basic and diluted earnings per Ordinary share (pence)*</b>	10	<b>0.41</b>	<b>3.34</b>	<b>3.75</b>	0.36	4.28	4.64

\* adjusted for treasury shares

The accompanying notes on pages 55 to 68 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 are prepared under guidance published by The Association of Investment Companies.

# Balance sheet

	Note	30 June 2019 £'000	30 June 2018 £'000
<b>Fixed asset investments</b>	11	<b>49,943</b>	42,911
<b>Current assets</b>			
Trade and other receivables less than one year	13	359	266
Cash and cash equivalents		<b>16,083</b>	12,604
		<b>16,442</b>	12,870
<b>Total assets</b>		<b>66,385</b>	55,781
<b>Payables: amounts falling due within one year</b>			
Trade and other payables less than one year	14	<b>(390)</b>	(367)
<b>Total assets less current liabilities</b>		<b>65,995</b>	55,414
<b>Equity attributable to equity holders</b>			
Called up share capital	15	<b>2,072</b>	1,829
Share premium		<b>9,061</b>	974
Capital redemption reserve		–	–
Unrealised capital reserve		<b>19,756</b>	12,973
Realised capital reserve		<b>(1,857)</b>	(769)
Other distributable reserve		<b>36,963</b>	40,407
<b>Total equity shareholders' funds</b>		<b>65,995</b>	55,414
<b>Basic and diluted net asset value per share (pence)*</b>	16	<b>35.29</b>	33.50

\* excluding treasury shares

The accompanying notes on pages 55 to 68 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 27 September 2019 and were signed on its behalf by

**Richard Huntingford**  
Chairman

**Company number: 03495287**

# Statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
<b>As at 1 July 2018</b>	<b>1,829</b>	<b>974</b>	<b>-</b>	<b>12,973</b>	<b>(769)</b>	<b>40,407</b>	<b>55,414</b>
Profit/(loss) and total comprehensive income	-	-	-	5,929	(234)	697	6,392
Transfer of previously unrealised losses on disposal of investments	-	-	-	854	(854)	-	-
Dividends paid	-	-	-	-	-	(3,280)	(3,280)
Purchase of shares for treasury (including costs)	-	-	-	-	-	(861)	(861)
Issue of equity	243	8,277	-	-	-	-	8,520
Cost of issue of equity	-	(190)	-	-	-	-	(190)
<b>As at 30 June 2019</b>	<b>2,072</b>	<b>9,061</b>	<b>-</b>	<b>19,756</b>	<b>(1,857)</b>	<b>36,963</b>	<b>65,995</b>
<b>As at 1 July 2017</b>	<b>16,211</b>	<b>18,032</b>	<b>1,415</b>	<b>6,311</b>	<b>(813)</b>	<b>4,425</b>	<b>45,581</b>
Profit and total comprehensive income	-	-	-	5,814	892	560	7,266
Transfer of previously unrealised losses on disposal of investments	-	-	-	420	(420)	-	-
Transfer of previously unrealised revaluations on liquidation of subsidiaries	-	-	-	428	(428)	-	-
Dividends paid	-	-	-	-	-	(3,085)	(3,085)
Purchase of shares for treasury (including costs)	-	-	-	-	-	(715)	(715)
Issue of equity	1,778	4,724	-	-	-	-	6,502
Cost of issue of equity	-	(135)	-	-	-	-	(135)
Reduction of share capital and cancellation of reserves	(16,160)	(21,647)	(1,415)	-	-	39,222	-
<b>As at 30 June 2018</b>	<b>1,829</b>	<b>974</b>	<b>-</b>	<b>12,973</b>	<b>(769)</b>	<b>40,407</b>	<b>55,414</b>

\* Included within these reserves is an amount of £17,123,000 (2018: £20,029,000) which is considered distributable. In time, a further £17,983,000 will become distributable.

The nature of each reserve is described in note 2 on page 56.

# Statement of cash flows

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
<b>Cash flow from operating activities</b>		
Loan stock income received	1,378	950
Deposit interest received	45	15
Dividend income received	61	36
Investment management fees paid	(993)	(836)
Other cash payments	(316)	(316)
Corporation tax paid	–	–
<b>Net cash flow from operating activities</b>	<b>175</b>	<b>(151)</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed asset investments	(3,536)	(4,252)
Disposal of fixed asset investments	2,686	5,188
Receipt of subsidiary cash upon liquidation	–	11
<b>Net cash flow from investing activities</b>	<b>(850)</b>	<b>947</b>
<b>Cash flow from financing activities</b>		
Issue of share capital	7,802	5,869
Cost of issue of equity	(3)	(3)
Equity dividends paid	(2,749)	(2,595)
Purchase of own shares for treasury (including costs)	(896)	(712)
<b>Net cash flow from financing activities</b>	<b>4,154</b>	<b>2,559</b>
<b>Increase in cash and cash equivalents</b>	<b>3,479</b>	<b>3,355</b>
Cash and cash equivalents at the start of the year	12,604	9,249
<b>Cash and cash equivalents at the end of the year</b>	<b>16,083</b>	<b>12,604</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank	16,083	12,604
Cash equivalents	–	–
<b>Total cash and cash equivalents</b>	<b>16,083</b>	<b>12,604</b>

# Notes to the Financial Statements

## 1. Basis of preparation

The Financial Statements have been prepared in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 (“FRS 102”), and with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” (“SORP”) issued by The Association of Investment Companies (“AIC”).

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

Company information can be found on page 2.

## 2. Accounting policies

### Fixed asset investments

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

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

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

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

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

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

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

### Current assets and payables

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

## 2. Accounting policies (continued)

### Investment income

#### Equity income

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

#### Unquoted loan stock income

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

#### Bank interest income

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

### Investment management fees, performance incentive fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the revenue column of the Income statement, except for management fees and performance incentive fees which are allocated in part to the capital column of the Income statement, to the extent that these relate to the maintenance or enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains.

### Taxation

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

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

### Reserves

#### Share premium

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

#### Capital redemption reserve

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

#### Unrealised capital reserve

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

#### Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, or permanent diminution in value;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders where paid out by capital.

#### Other distributable reserve

The special reserve, treasury share reserve and the revenue reserve were combined in 2012 to form a single reserve named other distributable reserve.

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

### Dividends

Dividends by the Company are accounted for in the period in which the dividend is paid or approved at the Annual General Meeting.

### Segmental reporting

The Directors are of the opinion that the Company is engaged in a single operating segment of business, being investment in smaller companies principally based in the UK.

# Notes to the Financial Statements continued

## 3. Gains on investments

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Unrealised gains on fixed asset investments	5,929	5,814
Realised gains on fixed asset investments	546	1,552
	<b>6,475</b>	<b>7,366</b>

## 4. Investment income

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
<b>Income recognised on investments</b>		
Loan stock interest and other fixed returns	1,179	1,056
UK dividend income	61	32
Bank deposit interest	45	17
	<b>1,285</b>	<b>1,105</b>

## 5. Investment management fees

	Year ended 30 June 2019			Year ended 30 June 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	260	780	1,040	220	660	880

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on page 13.

During the year, services of a total value of £1,090,000 (2018: £930,000) were purchased by the Company from Albion Capital Group LLP comprising £1,040,000 in respect of management fees (2018: £880,000) and £50,000 in respect of administration fees (2018: £50,000). At the financial year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals and deferred income was £300,500 (administration fee accrual: £12,500, management fee accrual £288,000) (2018: £254,500).

Albion Capital Group LLP is, from time to time, eligible to receive an arrangement fee and monitoring fees from portfolio companies. During the year ended 30 June 2019 fees of £167,000 attributable to the investments of the Company were received pursuant to these arrangements (2018: £155,000).

Albion Capital Group LLP, its partners and staff holds 855,040 Ordinary shares in the Company as at 30 June 2019.

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

# Notes to the Financial Statements continued

## 6. Other expenses

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Directors' fees (including NIC)	105	93
Auditor's remuneration for statutory audit services (excluding VAT)	29	29
Fees for the liquidation of CP1 VCT PLC (excluding VAT)	–	4
Other administrative expenses	194	199
	<b>328</b>	<b>325</b>

## 7. Directors' fees

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

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Directors' fees	97	86
National insurance	8	7
	<b>105</b>	<b>93</b>

The Company's key management personnel are the Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 43 and 44.

## 8. Tax on ordinary activities

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
UK corporation tax charge	–	–
	<b>Year ended 30 June 2019 £'000</b>	<b>Year ended 30 June 2018 £'000</b>
<b>Factors affecting the tax charge</b>		
Return on ordinary activities before taxation	6,392	7,266
Tax charge on profit at the average companies rate of 19.0% (2018: 19.0%)	1,214	1,381
<b>Factors affecting the charge:</b>		
Non-taxable gains	(1,230)	(1,400)
Income not taxable	(12)	(6)
Unutilised management expenses	28	25
	<b>–</b>	<b>–</b>

The tax charge for the year shown in the Income statement is lower than the average standard rate of corporation tax of 19.0 per cent. (2018: average rate of 19.0 per cent.). The differences are explained above.

### Notes

- (i) Venture Capital Trusts are not subject to corporation tax on capital gains.
- (ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate and allocating the relief between revenue and capital in accordance with the SORP.
- (iii) No provision for deferred tax has been made in the current or prior accounting period. The Company has not recognised a deferred tax asset of £2,847,000 (2018: £2,822,000) in respect of unutilised management expenses and non-trading deficits as it is not considered sufficiently probable that there will be taxable profits against which to utilise these expenses in the foreseeable future.

# Notes to the Financial Statements continued

## 9. Dividends

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
First dividend of 1 penny per share paid on 30 November 2018 (30 November 2017 – 1 penny per share)	1,649	1,467
Second dividend of 1 penny per share paid on 29 March 2019 (29 March 2018 – 1 penny per share)	1,646	1,632
Unclaimed dividends	(15)	(14)
	<b>3,280</b>	<b>3,085</b>

In addition to the dividends paid above, the Board has declared a first dividend for the year ending 30 June 2020, of 1 penny per share. This will be paid on 29 November 2019 to shareholders on the register on 1 November 2019. The total dividend will be approximately £1,870,000. All dividends are paid from the other distributable reserve.

During the year, unclaimed dividends older than twelve years of £15,000 (2018: £14,000) were returned to the Company in accordance with the terms of the Articles of Association and have been accounted for on an accruals basis.

## 10. Basic and diluted return per share

	Year ended 30 June 2019			Year ended 30 June 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Return attributable to equity shares (£'000)	697	5,695	6,392	560	6,706	7,266
Weighted average shares (adjusted for treasury shares)	170,478,118			156,706,633		
Return attributable per Ordinary share (pence) (basic and diluted)	0.41	3.34	3.75	0.36	4.28	4.64

The return per share has been calculated after adjusting for treasury shares of 20,168,410 (2018: 17,471,410).

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

# Notes to the Financial Statements continued

## 11. Fixed asset investments

	30 June 2019 £'000	30 June 2018 £'000
<b>Investments held at fair value through profit or loss</b>		
Unquoted equity and preference shares	35,377	26,105
Quoted equity	538	273
Loan stock	14,028	16,533
	<b>49,943</b>	<b>42,911</b>
	<b>30 June 2019 £'000</b>	<b>30 June 2018 £'000</b>
Opening valuation	42,911	36,328
Purchases at cost	4,122	5,069
Disposal proceeds	(3,366)	(5,951)
Realised gains	546	1,552
Movement in loan stock accrued income	(199)	99
Unrealised gains	5,929	5,814
<b>Closing valuation</b>	<b>49,943</b>	<b>42,911</b>
<b>Movement in loan stock accrued income</b>		
Opening accumulated loan stock accrued income	405	306
Movement in loan stock accrued income	(199)	99
<b>Closing accumulated loan stock accrued income</b>	<b>206</b>	<b>405</b>
<b>Movement in unrealised gains</b>		
Opening accumulated unrealised gains	12,906	6,672
Transfer of previously unrealised losses to realised reserves on disposal of investments	854	420
Movement in unrealised gains	5,929	5,814
<b>Closing accumulated unrealised gains</b>	<b>19,689</b>	<b>12,906</b>
<b>Historic cost basis</b>		
Opening book cost	29,600	29,350
Purchases at cost	4,122	5,069
Disposals at cost	(3,674)	(4,819)
<b>Closing book cost</b>	<b>30,048</b>	<b>29,600</b>

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

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.

# Notes to the Financial Statements continued

## 11. Fixed asset investments (continued)

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

<b>Investment valuation methodology</b>	<b>30 June 2019</b> <b>£'000</b>	30 June 2018 £'000
Third party valuation – earnings multiple	<b>17,238</b>	16,142
Cost and price of recent investment (reviewed for impairment or uplift)	<b>16,324</b>	10,103
Third party valuation – discounted cash flow	<b>7,129</b>	8,795
Earnings multiple	<b>5,092</b>	3,900
Contracted sales price	<b>1,372</b>	–
Revenue multiple	<b>1,249</b>	2,715
Net assets	<b>1,001</b>	983
	<b>49,405</b>	42,638

Fair value investments had the following movements between investment methodologies between 30 June 2018 and 30 June 2019:

<b>Change in investment valuation methodology (2018 to 2019)</b>	<b>Value as at</b> <b>30 June 2019</b> <b>£'000</b>	<b>Explanatory note</b>
Revenue multiple to cost and price of recent investment (reviewed for impairment or uplift)	<b>1,531</b>	More recent funding round
Revenue multiple to contracted sale price	<b>1,372</b>	Third party offer accepted
Cost to net assets	<b>12</b>	More relevant valuation methodology

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 30 June 2019.

FRS 102 and the SORP requires the Company to disclose the inputs to the valuation methods applied to its investments measured at fair value through profit or loss in a fair value hierarchy. The table below sets out fair value hierarchy definitions using FRS102 s.11.27.

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

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

# Notes to the Financial Statements continued

## 11. Fixed asset investments (continued)

The Company's investments measured at fair value through profit or loss (Level 3) had the following movements in the year to 30 June 2019:

	30 June 2019 £'000	30 June 2018 £'000
Opening balance	42,638	35,933
Additions	4,122	5,069
Disposal proceeds	(3,358)	(5,951)
Realised gains	548	1,552
Unrealised gains	5,654	5,936
Accrued loan stock interest	(199)	99
<b>Closing balance</b>	<b>49,405</b>	<b>42,638</b>

FRS 102 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. 56 per cent. of the portfolio of investments consisting of equity and loan stock is based on recent investment price, net assets and cost, and as such the Board believe that changes to reasonable possible alternative input assumptions (by adjusting the earnings and revenue multiples) for the valuation of the remainder of the portfolio could lead to a significant change in the fair value of the portfolio. The impact of these changes could result in an increase in the valuation of the equity investments by £855,000 (2.4%) or a decrease in the valuation of equity investments by £748,000 (2.1%). For valuations based on earnings and revenue multiples, the Board considers that the most significant input is the price/earnings ratio; for valuations based on third party valuations, the Board considers that the most significant inputs are price/earnings ratio, discount factors, market values for buildings and market value per room for care homes; which have been adjusted to drive the above sensitivities.

## 12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the portfolio company, it will not take a controlling interest or become involved in the management of a portfolio company. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The investments listed below are held as part of an investment portfolio and therefore, as permitted by FRS 102 section 9.9B, they are measured at fair value through profit or loss and not consolidated as subsidiaries.

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 30 June 2019 as described below:

Company	Registered address and country of incorporation	Principal activity	% class and share type	% total voting rights	Aggregate capital and reserves £'000	Profit for the year £'000
ELE Advanced Technologies Limited	Cotton Tree Lane, Colne, BB8 7BH, Great Britain	Manufacturer of precision engineering components	74.3% B Ordinary	41.9%	5,417	1,017

# Notes to the Financial Statements continued

## 13. Current assets

	30 June 2019 £'000	30 June 2018 £'000
Trade and other receivables less than one year		
Prepayments and accrued income	16	18
Other receivables	343	248
	<b>359</b>	<b>266</b>

## 14. Payables: amounts falling due within one year

	30 June 2019 £'000	30 June 2018 £'000
Accruals & deferred income	371	319
Trade payables	19	48
	<b>390</b>	<b>367</b>

## 15. Called up share capital

Allotted, called up and fully paid	£'000
182,866,158 Ordinary shares of 1 penny each at 30 June 2018	1,829
24,304,489 Ordinary shares of 1 penny each issued during the year	243
<b>207,170,647 Ordinary shares of 1 penny each at 30 June 2019</b>	<b>2,072</b>
17,471,410 Ordinary shares of 1 penny each held in treasury at 30 June 2018	(175)
2,697,000 Ordinary shares of 1 penny each purchased during the year to be held in treasury	(27)
<b>20,168,410 Ordinary shares of 1 penny each held in treasury at 30 June 2019</b>	<b>(202)</b>
<b>Voting rights of 187,002,237 Ordinary shares of 1 penny each at 30 June 2019</b>	<b>1,870</b>

The Company purchased 2,697,000 Ordinary shares for treasury (2018: 2,469,000) during the year at a total cost of £861,000 (2018: £715,000).

The total number of shares held in treasury as at 30 June 2019 was 20,168,410 (2018: 17,471,410) representing 9.7 per cent. of the shares in issue as at 30 June 2019.

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

Allotment date	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment (pence per share)
30 November 2018	791,634	8	33.56	264	33.40
29 March 2019	775,908	8	34.26	264	32.50
	<b>1,567,542</b>	<b>16</b>		<b>528</b>	

# Notes to the Financial Statements continued

## 15. Called up share capital (continued)

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

Allotment date	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment (pence per share)
1 April 2019	2,729,267	27	34.80	936	32.50
1 April 2019	687,998	7	35.00	236	32.50
1 April 2019	16,134,611	161	35.20	5,537	32.50
5 April 2019	1,887,622	19	35.20	648	32.50
12 April 2019	566,458	6	34.80	194	32.50
12 April 2019	9,142	–	35.00	3	32.50
12 April 2019	721,849	7	35.20	248	32.50
	<b>22,736,947</b>	<b>227</b>		<b>7,802</b>	

## 16. Basic and diluted net asset value per share

The net asset value attributable to the Ordinary shares at the year end was as follows:

	30 June 2019	30 June 2018
Net asset value per share (pence)	<b>35.29</b>	33.50

The net asset value per share at the year end is calculated in accordance with the Articles of Association and is based upon total shares in issue (adjusted for treasury shares) of 187,002,237 shares (2018: 165,394,748) as at 30 June 2019.

There are no convertible instruments, derivatives or contingent share agreements in issue.

## 17. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 14 of the Strategic report.

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

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

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

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

## 17. Capital and financial instruments risk management (continued)

### Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted and quoted companies, details of which are shown on pages 21 to 23. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio companies and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the balance sheet date is the value of the fixed asset investment portfolio which is £49,943,000 (2018: £42,911,000). Fixed asset investments form 76 per cent. of the net asset value as at 30 June 2019 (2018: 77 per cent.).

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

### Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual holdings. The Directors monitor the Manager's compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

Valuations are based on the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEV Guidelines. Details of the industries in which investments have been made are contained in the Portfolio of investments section on pages 21 to 23 and in the Strategic report.

As required under FRS 102 section 34.29, the Board is required to illustrate by way of a sensitivity analysis, the degree of exposure to market risk. The Board considers that the value of the fixed 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. (2018: 10 per cent.) increase or decrease in the valuation of the fixed asset investments (keeping all other variables constant) would increase or decrease the net asset value and return for the year by £4,994,300 (2018: £4,291,100). Further sensitivity analysis on fixed asset investments is included in note 11.

### Interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise or fall of half a percentage point in all interest rates would be immaterial due to the level of fixed rate loan stock held within the portfolio. The impact of half a percentage point change has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and future expectations.

# Notes to the Financial Statements continued

## 17. Capital and financial instruments risk management (continued)

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 9.5 per cent. (2018: 7.0 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 2.7 years (2018: 3.2 years).

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

	30 June 2019				30 June 2018			
	Fixed rate £'000	Floating rate £'000	Non-interest £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non-interest £'000	Total £'000
Loan stock	13,674	–	354	14,028	15,913	–	620	16,533
Equity	–	–	35,915	35,915	–	–	26,378	26,378
Receivables*	–	–	344	344	–	–	248	248
Payables	–	–	(390)	(390)	–	–	(367)	(367)
Cash	–	16,083	–	16,083	–	12,604	–	12,604
	<b>13,674</b>	<b>16,083</b>	<b>36,223</b>	<b>65,980</b>	15,913	12,604	26,879	55,396

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

### Credit risk

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

The Manager evaluates credit risk on loan stock and other similar instruments prior to investment, and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. For loan stock investments made prior to 6 April 2018, which account for 98.1 per cent. of loan stock by value, typically loan stock instruments have a fixed or floating charge, which may or may not have been subordinated, over the assets of the portfolio company in order to mitigate the gross credit risk.

The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment-specific credit risk.

Bank deposits are held with banks with high credit ratings assigned by international credit rating agencies. The Company has an informal policy of limiting counterparty banking exposure to a maximum of 20 per cent. of net asset value for any one counterparty.

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

The Company's total gross credit risk at 30 June 2019 was limited to £14,028,000 (2018: £16,533,000) of loan stock instruments, £16,083,000 (2018: £12,604,000) of cash deposits with banks and £344,000 (2018: £248,000) of deferred consideration and receivables.

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

# Notes to the Financial Statements continued

## 17. Capital and financial instruments risk management (continued)

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

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

### Liquidity risk

Liquid assets are held as cash on current short term deposit accounts. Under the terms of its Articles, the Company has the ability to borrow up to the amount of its adjusted capital and reserves of the latest published audited balance sheet, which amounts to £64,125,000 (2018: £53,760,000) as at 30 June 2019.

The Company has no committed borrowing facilities as at 30 June 2019 (2018: nil) and had cash balances of £16,083,000 (2018: £12,604,000). The main cash outflows are for new investments, dividends and share buy-backs, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis, as part of its review of management accounts and forecasts.

All of the Company's financial liabilities are short term in nature and total £390,000 (2018: £367,000) for the year to 30 June 2019.

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

Redemption date	30 June 2019				30 June 2018			
	Fully performing £'000	Past due £'000	Valued below cost £'000	Total £'000	Fully performing £'000	Past due £'000	Valued below cost £'000	Total £'000
Less than one year	5,162	282	770	6,214	785	307	1,288	2,380
1-2 years	2,507	–	111	2,618	4,971	979	63	6,013
2-3 years	675	–	42	717	2,580	637	105	3,322
3-5 years	2,360	–	95	2,455	2,111	332	–	2,443
5 + years	1,871	153	–	2,024	701	1,674	–	2,375
<b>Total</b>	<b>12,575</b>	<b>435</b>	<b>1,018</b>	<b>14,028</b>	<b>11,148</b>	<b>3,929</b>	<b>1,456</b>	<b>16,533</b>

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

The cost of loan stock investments valued below cost is £1,189,000 (2018: £2,158,000).

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

### Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 30 June 2019 are stated at fair value as determined by the Directors, with the exception of receivables and payables and cash which are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than payables. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

## 18. Contingencies and guarantees

As at 30 June 2019, the Company had no financial commitments in respect of investments (2018: £nil).

There are no contingencies or guarantees of the Company as at 30 June 2019 (2018: £nil).

# Notes to the Financial Statements continued

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## **19. Post balance sheet events**

Since 30 June 2019 the Company has completed the following investment transactions:

- Investment of £724,000 in Elliptic Enterprises Limited;
- Disposal of Augean PLC for £368,000;
- Investment of £31,000 in The Ewell (Harley Street) Limited; and
- Investment of £16,000 in Convertr Media Limited.

## **20. Related party transactions**

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

# Notice of Annual General Meeting

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Notice is hereby given that the Annual General Meeting of Crown Place VCT PLC (the “Company”) will be held at noon on 27 November 2019 at The Charterhouse, Charterhouse Square, London EC1M 6AN for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions.

## Ordinary business

1. To receive and adopt the Annual Report and Financial Statements for the year ended 30 June 2019.
2. To approve the Directors’ Remuneration Report for the year ended 30 June 2019.
3. To elect Pam Garside as a Director of the Company.
4. To re-elect James Agnew as a Director of the Company.
5. To re-appoint BDO LLP as Auditor of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.
6. To authorise the Directors to agree the Auditor’s remuneration.

## Special business

### 7. Increase in Directors’ aggregate remuneration

That the aggregate amount of the ordinary remuneration of the Directors under Article 74 of the Articles of Association of the Company be increased to an amount not exceeding £150,000 per annum.

### 8. Authority to allot shares

That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) to allot shares in the Company up to an aggregate nominal amount of £414,341 (representing approximately 20 per cent. of the issued share capital as at the date of this Notice) provided that this authority shall expire 15 months from the date that this resolution is passed, or if earlier, at the conclusion of the next Annual General Meeting, but so that the Company may, before the expiry of such period, 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 pursuant to such an offer or agreement as if the authority had not expired.

### 9. Authority for the disapplication of pre-emption rights

That, subject to the authority and conditional on the passing of resolution number 8, the Directors be empowered, pursuant to section 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 8 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale.

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

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

# Notice of Annual General Meeting continued

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## 10. Authority to purchase own shares

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

- (a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 31,054,880 shares or, if lower, such number of Ordinary shares representing 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
- (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share is 1 penny;
- (c) the maximum price, exclusive of any expenses, which may be paid for a share shall be an amount equal to the higher of (a) 105% of the average of the middle market quotations for the share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the date on which the share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (d) the authority hereby conferred shall, unless previously revoked, varied or renewed, expire 15 months from the date that this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting; and
- (e) the Company may enter into a contract or contracts to purchase shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By Order of the Board

### Albion Capital Group LLP

Company Secretary

Registered Office

1 Benjamin Street

London, EC1M 5QL

27 September 2019

Crown Place VCT PLC is registered in England and Wales with number 03495287

# Notice of Annual General Meeting continued

## Notes

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

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

To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by noon on 25 November 2019.

**In accordance with good governance practice, the Company is offering shareholders use of an online service, offered by the Company’s registrar, Computershare Investor Services, at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of noon on 25 November 2019 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company’s registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: [www.euroclear.com/CREST](http://www.euroclear.com/CREST). Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.**

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (‘the Act’) to enjoy information rights (a “Nominated Person”) may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company by noon on 25 November 2019 (or, in the event of any adjournment, on the date which is two working days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this AGM and any adjournment(s) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK and Ireland Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent by noon on 25 November 2019. 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

# Notice of Annual General Meeting continued

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

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

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from [www.albion.capital/funds/CRWN](http://www.albion.capital/funds/CRWN) under the "Financial Reports and Circulars" section.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. Copies of contracts of service and letters of appointment between the Directors and the Company, together with the Register of Directors' Interests in the Ordinary shares of the Company, will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the Articles of Association will be available for inspection at the Company's registered office from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.
9. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with section 527 and 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.
10. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.
11. Members satisfying the thresholds in Section 388A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM.  
A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.
12. As at 26 September 2019 being the latest practicable date prior to the publication of this Notice, the Company's issued share capital consists of 207,170,647 Ordinary shares of 1 penny each. The Company also holds 20,168,410 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 26 September 2019 are 187,002,237.





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The Association of  
Investment Companies

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of Investment Companies



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