Annual Report and Financial Statements for the year ended 31 March 2017

Albion Enterprise VCT PLC

ALBION CAPITAL

Contents

Company information

Company number	05990732
Directors	M Packe, Chairman Lady Balfour of Burleigh Lord St John of Bletso P H Reeve
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Capital Group LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	Philip Hare & Associates LLP 1st Floor 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP

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

Shareholder information	For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC: Tel: 0370 873 5860 (UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls may be recorded) Website: www.investorcentre.co.uk Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.
Financial adviser information	For enquiries relating to the performance of the Company and information for financial advisers please contact Albion Capital Group LLP: Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri; calls may be recorded) Email: info@albion.capital Website: www.albion.capital **Please note that these contacts are unable to provide financial or taxation advice.**

Investment objective and policy

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

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

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

Under its Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of its adjusted share capital and reserves.

Subject to shareholder approval at the forthcoming Annual General Meeting, the Company can, prior to investing in VCT qualifying assets, invest cash in deposits, in floating rate notes or similar instruments with banks or other financial institutions with credit ratings, assigned by international credit agencies, of A or better (on acquisition) or up to 10 per cent. of its assets, at the time of investment, in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so).

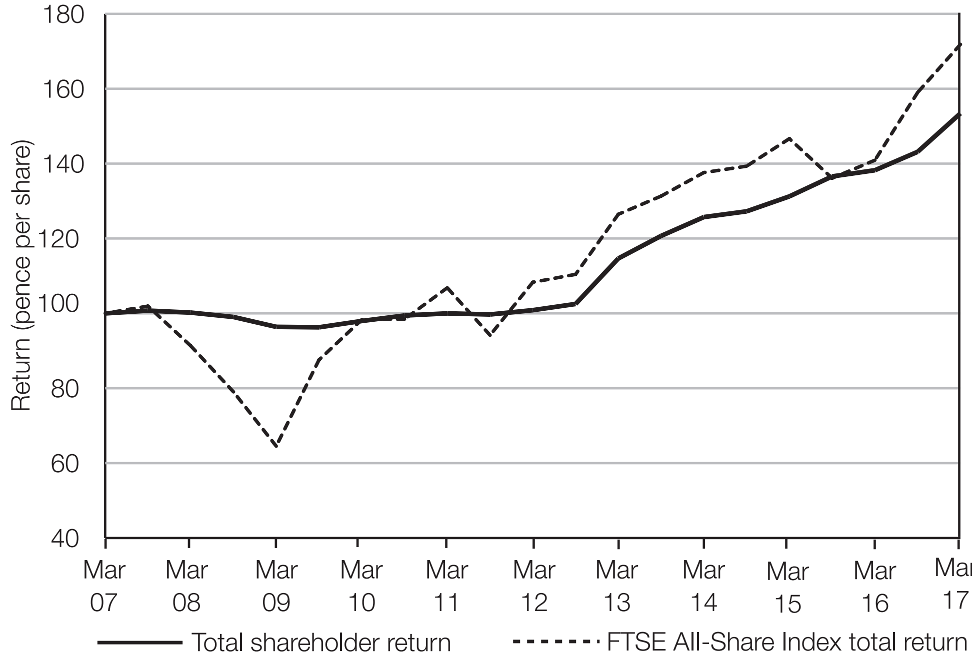
Financial calendar

Record date for first dividend	4 August 2017
Annual General Meeting	12 noon on 22 August 2017
Payment date for first dividend	31 August 2017
Announcement of half-yearly results for the six months ended 30 September 2017	November 2017
Payment of second dividend (subject to Board approval)	February 2018

Financial highlights

10.9p	Total return per share for the year ended 31 March 2017
5.0p	Total tax-free dividend per share paid during the year ended 31 March 2017
101.8p	Net asset value per share as at 31 March 2017
135.6p	Total shareholder return since launch to 31 March 2017
5.3%	Tax free yield on share price (dividend per annum/share price as at 31 March 2017)

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



Source: Albion Capital Group LLP

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

Financial highlights (continued)

	31 March 2017 (pence per share)	31 March 2016 (pence per share)
Dividends paid	**5.00**	5.00
Revenue return	**0.64**	1.85
Capital return	**10.23**	3.48
Net asset value	**101.79**	96.41

Total shareholder return to 31 March 2017:		**(pence per share)**
Total dividends paid during the year ended:		
	31 March 2008	0.70
	31 March 2009	1.65
	31 March 2010	2.00
	31 March 2011	3.00
	31 March 2012	3.00
	31 March 2013	3.50
	31 March 2014	5.00
	31 March 2015	5.00
	31 March 2016	5.00
	31 March 2017	5.00
Total dividends paid to 31 March 2017		**33.85**
Net asset value as at 31 March 2017		101.79
Total shareholder return to 31 March 2017		**135.64**

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2018, of 2.50 pence per share to be paid on 31 August 2017 to shareholders on the register on 4 August 2017.

Notes

- *The dividend of 0.70 pence per share paid during the period ended 31 March 2008 and the first dividend of 0.40 pence per share paid during the year ended 31 March 2009 were paid to shareholders who subscribed in the 2006/2007 offer only.*
- *All dividends paid by the Company are paid free of income tax. It is an H.M. Revenue & Customs requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on the dividend voucher and need not disclose any income they receive from a VCT on their tax return.*
- *The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies - VCTs section of the Financial Times on a daily basis.*
- *Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value as tax reliefs are only obtainable on initial subscription.*

Chairman's statement

Introduction
The Company achieved a total return of 10.87 pence per share, following the 5.33 pence per share total return for the previous year. This excellent return results from the continued development of the investment portfolio, with a number of the companies that we invest in achieving strong growth.

Portfolio progress
During the year over £3.4 million was invested in new and existing companies. New investments included £583,000 into Convertr Media, £327,000 into Black Swan Data, £303,000 into Quantexa, £280,000 into Secured by Design, and £159,000 into Oviva AG.

Follow-on investments included £785,000 into DySIS Medical, £357,000 into OmPrompt Holdings, £345,000 into Proveca, £157,000 into Abcodia, £169,000 into Mirada Medical, £141,000 into Cisiv, and £115,000 into Grapeshot.

The key exits in the period were the sales of Exco Intouch and Masters Pharmaceuticals where we realised three and two times our investment respectively. Further information can be found in the realisations table on page 18.

Companies that performed particularly well during the period included Egress Software, whose encrypted email services grew significantly; Radnor House School, where the existing Twickenham school is now close to capacity; and Grapeshot, where company's online advertising search facilities are seeing increasing customer demand. Write-downs were made on certain investments, in particular three of our medical technology businesses, DySIS Medical, Abcodia and Cisiv which required further finance during the year. Further details can be found in the Portfolio of investments section on page 17.

The investment income in the year was 31 per cent. below the previous year. This was principally due to the interest receivable from a number of our investments being reinvested within the companies to fund further acquisitions.

Results and dividends
On 31 March 2017, the net asset value was 101.79 pence per share compared to 96.41 pence per share on 31 March 2016. The revenue return before taxation was £356,000 compared to £911,000 for the previous year. The Company will pay a first dividend for the financial year to 31 March 2018 of 2.50 pence per share, in line with its policy of a 5 pence per share annual dividend. The dividend will be paid on 31 August 2017 to shareholders on the register on 4 August 2017.

Modification to investment policy
As described more fully in the Strategic report, the Manager and Board are updating the Company's capacity, under its investment policy, to invest cash with a level of exposure to quoted equities, pending deployment in suitable private equity opportunities.

The recent acquisition by Albion of OLIM Investment Managers provides an opportunity to invest in an open-ended equity fund, delivering income and capital growth, with good liquidity and with a good performance record, without any double charging of management fees. This will be subject to shareholder approval but both Board and Manager believe that it is a positive development for the Company, particularly in a low interest rate environment. The revision to policy will contain restrictions as to the amount that can be invested in non-qualifying investments and how the investments will be made, as more fully described on page 8.

Continuation as a venture capital trust
As prescribed in the Company's Articles of Association, at the 2017 Annual General Meeting members have the opportunity to confirm that they wish the Company to continue as a venture capital trust. Otherwise the Board is required to make proposals for the reorganisation, reconstruction or the orderly liquidation and winding up of the Company and present these to the members at a general meeting. Those shareholders who have been using their investment in the VCT to defer a capital gain should note that, on a return of capital, that gain would become chargeable at the prevailing rate of capital gains tax.

Your Board believes that the Company has the potential to be a highly effective long-term investment vehicle, with a reliable tax-free dividend stream over the long term. Therefore, the Board recommends that shareholders should vote in favour of the Company continuing as a venture capital trust, as they intend to vote in respect of their own shares. Further details regarding the resolution can be found in the Directors' report on page 24.

Performance incentive fee
The Board is pleased to announce that investment performance has exceeded the targets set. Accordingly a management performance fee of £255,000 is due for the year ended 31 March 2017, no such fee was earned in previous years.

Further details can be found in the Strategic report on pages 11 and 12.

Chairman's statement (continued)

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

Transactions with the Manager
Details of the transactions that took place with the Manager for the year can be found in note 5.

Risks and uncertainties
The outlook for the UK and global economies continues to be the key risk affecting your Company. The process for the withdrawal of Britain from the European Union is likely to have an effect on the Company and its investments. Although the extent of this is not quantifiable at this time, we would expect it to be felt most in those sectors which are more exposed to the consumer and business cycle.

Investment risk is mitigated through a variety of processes, including our policy of ensuring that the Company has a first charge over portfolio companies' assets wherever possible and of ensuring that the portfolio is balanced through the inclusion of sectors that are less exposed to the business and consumer cycles. A detailed analysis of the other risks and uncertainties facing the business is shown on pages 12 and 13 of the Strategic report.

Albion VCTs Top Up Offers
In November 2016, the Company announced the launch of the Albion VCTs Prospectus Top Up Offers 2016/2017. In aggregate, the Albion VCTs raised £34 million across six of the VCTs managed by Albion Capital Group LLP, with the Company raising £6 million.

The Company was pleased to announce on 20 February 2017 that it had reached its £6m limit under its Offer which was fully subscribed and closed. During the year the Company raised £5.6m under the Company's Offer as part of the Albion VCTs Top Up Offers 2015/2016 and 2016/2017, as shown in note 15. The proceeds of the Offers will be used to provide further resources at a time when a number of attractive new investment opportunities are being identified.

The Company announced on 14 June 2017 that, subject to regulatory approval, it intends to launch a prospectus top up offer of new ordinary shares for subscription in the 2017/2018 and 2018/2019 tax years. Full details of the Offer will be contained in a prospectus that is expected to be published in early September 2017 and will be available on the Albion Capital website (www.albion.capital).

Outlook and prospect
After an excellent result for the year, we remain confident that the fundamentals within the companies that we are backing place the VCT well for delivering positive shareholder returns.

Maxwell Packe
Chairman
13 July 2017

Strategic report

Investment objective and policy
The investment objective of the Company is to provide investors with a regular and predictable source of income combined with the prospect of longer term capital growth.

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

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

Subject to shareholder approval at the forthcoming Annual General Meeting, the Company can, prior to investing in VCT qualifying assets, invest cash in deposits, in floating rate notes or similar instruments with banks or other financial institutions with credit ratings, assigned by international credit agencies, of A or better (on acquisition) or up to 10 per cent. of its assets, at the time of investment, in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). This is explained further below.

Management of liquid resources
Since the Company's launch, non-qualifying investments have been held in floating rate notes and bank deposits, with the latter category now accounting for all of the Company's funds awaiting investment.

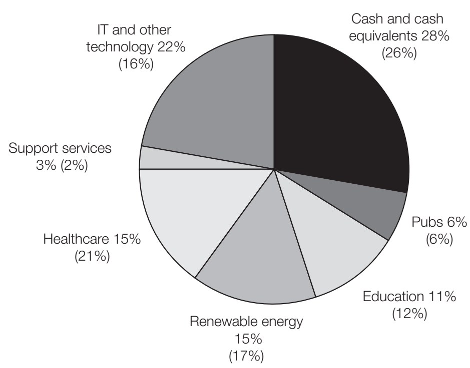
In November 2016, Albion Capital acquired OLIM Investment Managers ("OLIM"), a specialist fund manager of UK quoted equities. It is now proposed that, in view of the very low interest rates earned on the Company's bank deposits, that the current policy should be updated to allow cash awaiting investment to be invested in liquid open-ended equity funds including the SVS Albion OLIM UK Equity Income Fund ("OUEIF"). This is an authorised UK unit trust which has the objective of achieving a return based on a combination of income and capital over the long term, and invests in a diversified portfolio of FTSE-100 and FTSE-250 UK companies. It has shown a total return, comprising income and capital, since launch in 2002 of 212 per cent., and ranks 18 out of 55 of UK equity income funds in its performance over 10 years. Its historic dividend yield is 4 per cent..

Any investment in OUEIF will be made as part of the Company's management of surplus liquid funds, and will be limited to an amount of not more than 10 per cent. of the company's net assets, from time to time, though depending on market conditions, it may be much lower than this. The holding will be capable of realisation within 7 days and, in order to avoid double charging, Albion agrees to reduce that proportion of its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM.

This change in investment policy, which is recommended by the Board, together with other clarifications of the investment policy, is subject to the approval of shareholders. Accordingly resolution 12 at the forthcoming Annual General Meeting, which is set out on pages 56 and 57, will allow shareholders to vote on the issue.

Current portfolio sector allocation
The following pie chart shows the split of the portfolio valuation by industrial or commercial sector as at 31 March 2017. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 17 and 18.

Split of investment portfolio by sector



Comparatives for 31 March 2016 are shown in brackets.
Source: Albion Capital Group LLP

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

The IT and other technology sector has continued to grow as a proportion of the portfolio as we have continued to invest in key areas such as cyber security and the management of big data. We are, however, looking to invest in new asset-based sectors during the course of the year.

Results and dividend policy

	£'000
Net revenue return for the year ended 31 March 2017	299
Net capital gain for the year ended 31 March 2017	4,781
Total return for the year ended 31 March 2017	**5,080**
Dividend of 2.50 pence per share paid on 31 August 2016	(1,156)
Dividend of 2.50 pence per share paid on 28 February 2017	(1,249)
Transferred to reserves	**2,675**
Net assets as at 31 March 2017	52,458
Net asset value per share as at 31 March 2017 (pence)	**101.79**

The Company paid dividends totaling 5.00 pence per share during the year ended 31 March 2017 (2016: 5.00 pence per share). As described in the Chairman's statement, the Board has declared a first dividend of 2.50 pence per share for the year ending 31 March 2018. This dividend will be paid on 31 August 2017 to shareholders on the register on 4 August 2017.

As shown in the Company's Income statement on page 39, investment income decreased to £939,000 (2016: £1,367,000) due to capitalising interest on a number of companies in order to fund further acquisitions.

The capital gain for the year of £4,781,000 (2016: £1,410,000), was mainly attributable to the upward unrealised revaluations in the Company's investment portfolio.

The total return was 10.87 pence per share (2016: 5.33 pence per share). The Balance sheet on page 40 shows that the net asset value has increased over the last year to 101.79 pence per share (2016: 96.41 pence per share), attributable to the increased valuations.

The cash flow for the Company has been a net inflow of £6,000 for the year (2016: net inflow of £3,359,000), reflecting cash inflows from operations, disposal of investments and the issue of Ordinary shares under the Albion VCTs Top Up Offers which raised £5.6 million (£0.3 million received after the year end), offset by dividends paid, new investments in the year and the buy-back of shares.

Review of business and future changes

A review of the Company's portfolio performance and progress during the year is contained in the Chairman's statement on page 6. Total gains on investments for the year were £5.8 million (2016: £2.0 million). The key contributors to this were the increase in valuations of Egress Software Technologies of £2,567,000, Grapeshot of £1,017,000, Proveca of £980,000 and Radnor House School (Holdings) of £852,000. These gains more than offset the reduction in value of a small number of our investments, the largest being DySIS Medical of £710,000, Abcodia of £478,000 and Cisiv of £453,000. Two of our investments, Exco Intouch and Masters Pharmaceuticals were sold during the year for a gain on cost of £1,856,000 and £363,000 respectively.

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

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

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on page 22.

As part of EU state obligations, new rules have been introduced under the Finance Act (No.2) 2015 and Finance Act 2016, which include:

- Restrictions over the age of investments;
- A prohibition on management buyouts or the purchase of existing businesses;
- An overall lifetime investment cap of £12 million from tax-advantaged funds into any portfolio company; and
- A VCT can only make qualifying investments or certain specified non-qualifying investments such as money market securities and short term deposits.

Strategic report (continued)

While these changes are significant, the Company has been advised that, had they been in place previously, they would have affected only a relatively small minority of the investments that we have made into new portfolio companies over recent years. The Board's current view is that there will be no material change in our investment policy and the application of it as a result.

Future prospects

The key drivers for returns within the portfolio are those sectors that are involved in the longer-term global trends. These include the importance of healthcare in an ageing population; sustainable energy against a background of climate change; education amid the need to improve the national skills base; and the developing use of information technology in an environment of universal information. The portfolio is well positioned to take advantage of these changes.

Key performance indicators

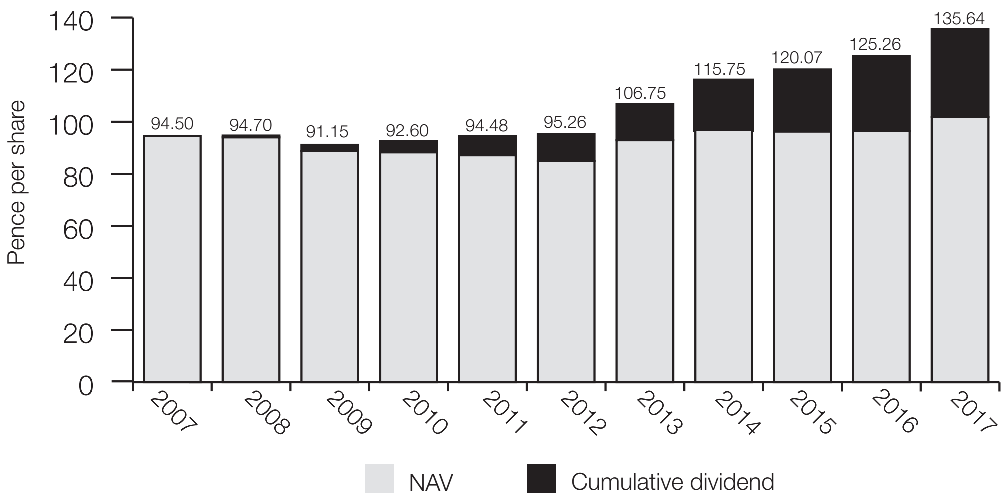
The Directors believe that the following key performance indicators, which are typical for venture capital trusts, used in their own assessment of the Company, will provide shareholders with sufficient information to assess how effectively the Company is applying its investment policy to meet its objectives.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

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

The graph on page 4 shows the Company's total shareholder return against the FTSE All-Share Index total return, with dividends reinvested.

2. Net asset value per share and total shareholder return

Net asset value per share and total shareholder return*



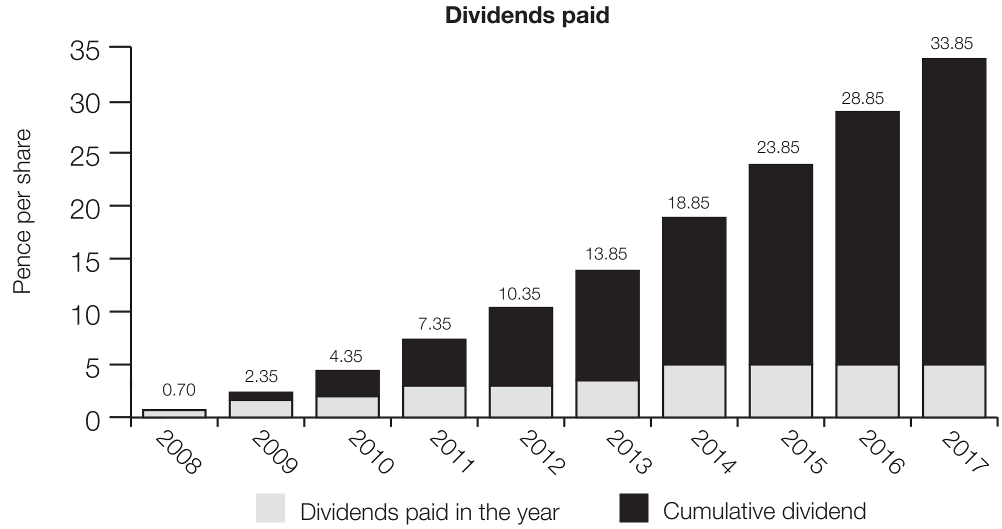
* Total shareholder return is net asset value plus cumulative dividends paid since launch to date.

Net asset value per share increased by 5.6 per cent. to 101.79 pence per share for the year ended 31 March 2017.

Total shareholder return increased by 8.3 per cent. to 135.64 pence per share for the year ended 31 March 2017.

Strategic report (continued)

3. Dividend distributions



Dividends paid in respect of the year ended 31 March 2017 were 5.00 pence per share (2016: 5.00 pence per share), in line with the Board's dividend objective. The cumulative dividend paid since inception is 33.85 pence per share.

4. Ongoing charges

The ongoing charges ratio for year ended 31 March 2017 was 3.0 per cent. (2016: 3.0 per cent.) against a cap of 3.0 per cent. The ongoing charges ratio has been calculated using the Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the year ahead to be approximately 3.0 per cent.

Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not currently have any intention to utilise gearing for the Company. On an exceptional basis, certain portfolio companies may take on external borrowings, where the Board considers this will offer a significant benefit to the Company.

Operational arrangements

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

Management agreement

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

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

Management performance incentive

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

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

For the year ended 31 March 2017, the total return of the Company since launch (the performance incentive fee start date) amounted to 135.64 pence per share, compared to the hurdle of 132.92 pence per share. As a result, a performance incentive fee is payable to the Manager of £255,000 (2016: £nil).

Evaluation of the Manager

The Board has evaluated the performance of the Manager based on the returns generated by the Company, the continuing achievement of Venture Capital Trust status, the long term prospects of current investments, a review of the Management agreement and the services provided therein, and benchmarking the performance and remuneration of the Manager to other service providers. The Board believes that it is in the interest of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Alternative Investment Fund Managers Directive (“AIFMD”)

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

Social and community issues, employees and human rights

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

Further policies

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

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

and these are set out in the Directors’ report on pages 22 and 23.

Risk management

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

Risk	Possible consequence	Risk management
Investment and performance risk	The risk of investment in poor quality assets, which could reduce the capital and income returns to shareholders, and could negatively impact on the Company’s current and future valuations. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.	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 investments 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.
VCT approval risk	The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns. Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.	To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare & Associates LLP as its taxation adviser, who report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a new portfolio company is also pre-cleared with H.M. Revenue & Customs.

Strategic report (continued)

Risk	Possible consequence	Risk management
Regulatory and compliance risk	The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.	Board members and the Manager have experience of operating at senior levels within or advising quoted companies. In addition, the Board and the Manager receive regular updates on new regulation from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's Compliance Officer. The Manager reports monthly to its Board on any issues arising from compliance or regulation. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's Compliance Officer. The report on controls is also evaluated by the internal auditors.
Operational and internal control risk	The Company relies on a number of third parties, in particular the Manager, for the provision of investment management and administrative functions. Failures in key systems and controls within the Manager's business could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.	The Company and its operations are subject to a series of rigorous internal controls and review procedures exercised throughout the year. The Audit Committee reviews the Internal Audit Reports prepared by the Manager's internal auditors, PKF Littlejohn LLP. On an annual basis, the Audit Committee chairman meets with the internal audit Partner to provide an opportunity to ask specific detailed questions in order to satisfy itself that the Manager has strong systems and controls in place including those in relation to business continuity and cyber security. In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment objective and policies. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Capital Group LLP.
Economic and political risk	Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and other factors could substantially and adversely affect the Company's prospects in a number of ways.	The Company invests in a diversified portfolio of companies across a number of industry sectors and in addition often invests a mixture of equity and secured loan stock in portfolio companies and has a policy of not normally permitting any external bank borrowings within portfolio companies. At any given time, the Company has sufficient cash resources to meet its operating requirements, including share buybacks and follow on investments.
Market value of Ordinary shares	The market value of Ordinary shares can fluctuate. The market value of an Ordinary share, as well as being affected by its net asset value and prospective net asset value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary share may vary considerably from its underlying net asset value. The market prices of shares in quoted investment companies can, therefore, be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment and other factors. Accordingly the market price of the Ordinary shares may not fully reflect their underlying net asset value.	The Company operates a share buyback policy, which is designed to limit the discount at which the Ordinary shares trade to around 5 per cent to net asset value, by providing a purchaser through the Company in absence of market purchasers. From time to time buybacks cannot be applied, for example when the Company is subject to a close period, or if it were to exhaust its buyback authorities, which are renewed each year. 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.

Strategic report (continued)

Viability statement

In accordance with the FRC UK Corporate Governance Code published in September 2014 and principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 31 March 2020. The Directors believe that three years is a reasonable period in which they can assess the future of the Company to continue to operate and meet its liabilities as they fall due and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timelines for finding, assessing and completing investments.

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

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

Taking into account the processes for mitigating risks, monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model and the balance of the portfolio the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 March 2020.

This Strategic report of the Company for the year ended 31 March 2017 has been prepared in accordance with the requirements of section 414A of the Companies Act 2006 (the "Act"). The purpose of this report is to provide shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

On behalf of the Board,

Maxwell Packe
Chairman
13 July 2017

The Board of Directors

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

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

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

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

Patrick Reeve MA, ACA, (appointed 28 November 2006) qualified as a chartered accountant before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, working in both the development capital and corporate finance divisions before establishing Albion Capital (formerly Albion Ventures LLP). He is the managing partner of Albion Capital and is a director of Albion Technology and General VCT PLC and Albion Development VCT PLC, both managed by Albion Capital. He is also chief executive of Albion Community Power PLC, chairman of OLIM Limited, a member of the Audit Committee of University College London, a director of The Association of Investment Companies, and is on the Council of the BVCA.

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

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

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

Lord St John of Bletso is the Senior Independent Director.

The Manager

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

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

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

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

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

Emil Gigov, BA (Hons), FCA, is a Partner at Albion and leads Albion's investments in social care and education. He joined Albion in 2000 and over the years has made and managed numerous investments in the software, engineering, business services and leisure sectors. Emil's early career was with KPMG, where he qualified as a chartered accountant in 1997 and spent three years in KPMG's corporate finance team, with a particular focus on media and leisure businesses. Emil is a trustee of the Radnor Charitable Trust, an education charity he helped establish in 2011.

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

Vikash Hansrani, BA (Hons), ACA, qualified as a chartered accountant with RSM Tenon plc and latterly worked in its corporate finance team. He joined Albion in 2010, where he is currently Operations Partner for the group. He is also Finance Director of Albion Community Power PLC and OLIM Limited. He has a BA in Accountancy & Finance from Nottingham Business School.

Ed Lascelles, BA (Hons), has been investing with Albion since 2004 and oversees many of the technology investments in the VCTs as well as the physical sciences and engineering investments for the UCL Technology Fund. Prior to Albion, Ed worked at ING Barings advising UK public companies on M&A, IPOs and fundraisings in the technology, healthcare and financial services sectors. Ed graduated from University College London with a first class degree in Philosophy.

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

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

Robert Whitby-Smith, BA (Hons), MSI, FCA, began his career at KPMG and moved on to Credit Suisse First Boston and ING Barings where he advised a number of businesses on capital raising and M&A activity. Robert joined Albion in 2005 and became a partner in 2009. Robert is responsible for investments in the technology, advanced manufacturing and business services sectors. Robert holds an honours degree in History from the University of Reading and is a Chartered Accountant and a member of the Chartered Institute for Securities and Investment. Robert is additionally a director of OLIM Limited.

Portfolio of investments

			As at 31 March 2017			As at 31 March 2016			
Fixed asset investments	**% voting rights**	**% voting rights of Albion* managed companies**	**Cost £'000**	**Cumulative movement in value £'000**	**Value £'000**	Cost £'000	Cumulative movement in value £'000	Value £'000	**Change in value for the year** £'000**
Asset-based investments									
Radnor House School (Holdings) Limited	9.8	50.0	**3,129**	**2,799**	**5,928**	3,323	1,948	5,271	**852**
Bravo Inns II Limited	13.1	50.0	**2,150**	**282**	**2,432**	2,150	123	2,273	**159**
Regenerco Renewable Energy Limited	12.5	50.0	**1,261**	**500**	**1,761**	1,263	357	1,620	**144**
Earnside Energy Limited	8.7	50.0	**1,394**	**300**	**1,694**	1,394	153	1,547	**147**
Alto Prodotto Wind Limited	11.1	50.0	**989**	**539**	**1,528**	1,000	529	1,529	**17**
Greenenerco Limited	28.6	50.0	**959**	**478**	**1,437**	997	558	1,555	**(64)**
The Street by Street Solar Programme Limited	8.6	50.0	**891**	**492**	**1,383**	894	373	1,267	**120**
Bravo Inns Limited	8.4	50.0	**755**	**(289)**	**466**	755	(270)	485	**(19)**
AVESI Limited	5.5	50.0	**179**	**60**	**239**	181	40	221	**20**
MHS 1 Limited (previously The Charnwood Pub Company Limited)	1.2	50.0	**83**	**(1)**	**82**	83	–	83	**(1)**
Beddlestead Farm Limited	10.0	50.0	**10**	**–**	**10**	–	–	–	**–**
Total asset-based investments			**11,800**	**5,160**	**16,960**	12,040	3,811	15,851	**1,375**
Growth investments									
Egress Software Technologies Limited	8.8	22.0	**880**	**3,069**	**3,949**	880	502	1,382	**2,567**
Mirada Medical Limited	15.1	45.0	**969**	**1,263**	**2,232**	800	933	1,733	**329**
Grapeshot Limited	4.9	13.8	**859**	**1,140**	**1,999**	744	123	867	**1,017**
Proveca Limited	9.6	49.9	**905**	**994**	**1,899**	560	14	574	**980**
Process Systems Enterprise Limited	4.1	20.7	**406**	**945**	**1,351**	406	689	1,095	**256**
DySIS Medical Limited	11.1	30.1	**2,509**	**(1,339)**	**1,170**	1,724	(630)	1,094	**(710)**
Hilson Moran Holdings Limited	6.9	34.7	**201**	**877**	**1,078**	236	579	815	**311**
Relayware Limited	3.3	10.9	**1,065**	**(2)**	**1,063**	1,369	6	1,375	**(8)**
Aridhia Informatics Limited	6.6	22.3	**1,061**	**(143)**	**918**	1,061	(291)	770	**148**
memsstar Limited	8.9	45.3	**384**	**240**	**624**	384	141	525	**99**
MyMeds&Me Limited	3.4	19.2	**418**	**205**	**623**	418	233	651	**(28)**
Convertr Media Limited	6.3	27.0	**583**	**–**	**583**	–	–	–	**–**
OmPrompt Holdings Limited	7.3	28.3	**682**	**(150)**	**532**	650	15	665	**(165)**
Mi-Pay Group plc	6.3	34.7	**1,504**	**(1,136)**	**368**	1,504	(899)	605	**(237)**
Cisiv Limited	8.6	28.9	**663**	**(323)**	**340**	522	130	652	**(453)**
Black Swan Data Limited	1.0	4.8	**327**	**–**	**327**	–	–	–	**–**
Abcodia Limited	5.6	19.5	**712**	**(407)**	**305**	555	72	627	**(478)**
Quantexa Limited	2.7	11.9	**303**	**–**	**303**	–	–	–	**–**
Secured by Design Limited	1.9	10.0	**280**	**–**	**280**	–	–	–	**–**
Oxsensis Limited	3.8	20.6	**588**	**(331)**	**257**	588	(330)	258	**(1)**
Oviva AG	2.1	9.1	**159**	**–**	**159**	–	–	–	**–**
Sandcroft Avenue Limited (PayAsUGym.com)	1.8	5.6	**160**	**(21)**	**139**	160	15	175	**(36)**
Panaseer Limited	1.6	7.8	**80**	**47**	**127**	80	–	80	**47**
Dickson Financial Services Limited	8.4	30.0	**84**	**38**	**122**	84	–	84	**38**
InCrowd Sports Limited	1.5	6.8	**67**	**–**	**67**	67	–	67	**–**
Total growth investments			**15,849**	**4,966**	**20,815**	12,792	1,302	14,094	**3,676**
Total fixed asset investments			**27,649**	**10,126**	**37,775**	24,832	5,113	29,945	**5,051**

* Albion Capital Group LLP

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

Portfolio of investments (continued)

Total change in value of investments for the year	**5,051**
Movement in loan stock accrued interest	(35)
Unrealised gains on fixed asset investments	**5,016**
Realised gains on fixed asset investments	774
Total gains on investments as per Income statement	**5,790**

The comparative cost and valuations for 31 March 2016 do not agree to the Annual Report and Financial Statements for the year ended 31 March 2016 as the list on the previous page does not include brought forward investments that were fully disposed of in the year.

The following is a summary of fixed asset realisations in the year ended 31 March 2017:

Fixed asset realisations	**Cost £'000**	**Opening carrying value £'000**	**Disposal proceeds £'000**	**Total realised gain £'000**	**Gain/(loss) on opening value £'000**
Exco Intouch Limited (disposal)	1,015	1,918	2,871	1,856	953
Masters Pharmaceuticals Limited (disposal)	553	1,107	916	363	(191)
Relayware Limited (loan stock and equity repayment)	304	304	304	–	–
Radnor House School (Holdings) Limited (loan stock repayment)	195	195	195	–	–
Hilson Moran Holdings Limited (loan stock repayment and redemption premium)	35	48	48	13	–
Greenenerco Limited (loan stock repayment)	38	54	54	16	–
Alto Prodotto Wind Limited (loan stock repayment)	12	18	18	6	–
Silent Herdsman Holdings Limited (escrow adjustment)	–	–	12	12	12
The Street by Street Solar Programme Limited (loan stock repayment)	3	4	4	1	–
Regenerco Renewable Energy Limited (loan stock repayment)	2	3	3	1	–
AVESI Limited (loan stock repayment)	1	2	2	1	–
Total fixed asset realisations	**2,158**	**3,653**	**4,427**	**2,269**	**774**

Portfolio companies

The top ten investments by value are shown below.

The most recently audited results are included for each portfolio company. Valuations are often based upon the most recent information available, which may include more up to date management accounts. The audited results are therefore not necessarily the figures used for the valuation.

Radnor House School (Holdings) Limited

Radnor House is a group of co-educational independent day schools with sites in South West London and Sevenoaks in Kent. The group provides personalised education to students aged 5-18 and has the capacity to accommodate some 1,000 children.

Website: www.radnorhouse.org

	Audited results: year to 31 August 2016 £'000	**Investment information**	**£'000**
Turnover	9,821	Income recognised in the year	261
EBITDA	1,009	Total cost	3,129
Loss before tax	(972)	Valuation	5,928
Net assets	25,337	Voting rights	9.8 per cent.
Basis of valuation:	Valuation supported by third party valuation	Voting rights for all Albion managed companies	50.0 per cent.

Egress Software Technologies Limited

The company provides an encrypted email and file transfer service, with a focus on the UK public sector.

Website: www.egress.com

	Audited results: year to 31 December 2016 £'000	**Investment information**	**£'000**
Turnover	5,442	Income recognised in the year	n/a
EBITDA	(835)	Total cost	880
Loss before tax	(901)	Valuation	3,949
Net liabilities	(1,613)	Voting rights	8.8 per cent.
Basis of valuation	Price of recent investment	Voting rights for all Albion managed companies	22.0 per cent.

Bravo Inns II Limited

The company owns and operates a group of freehold pubs in the north of England. The pubs are trading well with considerable demand.

Website: www.bravoinns.com

	Audited results: year to 31 March 2016 £'000	**Investment information**	**£'000**
Turnover	6,588	Income recognised in the year	68
EBITDA	1,071	Total cost	2,150
Loss before tax	(56)	Valuation	2,432
Net assets	4,181	Voting rights	13.1 per cent.
Basis of valuation	Valuation supported by third party valuation	Voting rights for all Albion managed companies	50.0 per cent.

Mirada Medical Limited

Mirada Medical has developed software that allows images from multiple sources to be combined to provide greater clinical certainty in diagnosis and treatment of cancer.

Website: www.mirada-medical.com

	Audited consolidated results: year to 31 December 2016 £'000	**Investment information**	**£'000**
Turnover	4,123	Income recognised in the year	45
EBITDA	(191)	Total cost	969
Loss before tax	(430)	Valuation	2,232
Net liabilities	(1,574)	Voting rights	15.1 per cent.
Basis of valuation	Revenue multiple	Voting rights for all Albion managed companies	45.0 per cent.

Grapeshot Limited

Grapeshot offers keyword technology for the programmatic trading of digital media, enabling advertisers to find new audiences and place ads in the right context.

Website: www.grapeshot.com

	Audited consolidated results: year to 31 December 2015 £'000	**Investment information**	**£'000**
Turnover	5,020	Income recognised in the year	n/a
EBITDA	(1,168)	Total cost	859
Loss before tax	(1,336)	Valuation	1,999
Net assets	4,410	Voting rights	4.9 per cent.
Basis of valuation	Price of recent investment	Voting rights for all Albion managed companies	13.8 per cent.

Portfolio companies (continued)

Proveca Limited

Proveca is a specialist UK pharmaceutical company developing and commercialising off-patent medicines to improve the lives of children in Europe.

Website: www.proveca.co.uk

	Audited results: year to 31 July 2016 £'000	Investment information	£'000
Turnover	–	Income recognised in the year	19
EBITDA	(755)	Total cost	905
Loss before tax	(914)	Valuation	1,899
Net liabilities	(2,379)	Voting rights	9.6 per cent.
Basis of valuation	Price of recent investment	Voting rights for all Albion managed companies	49.9 per cent.

Regenerco Renewable Energy Limited

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

Website: www.regenerco.co.uk

	Audited results: year to 31 December 2016 £'000	Investment information	£'000
Turnover	619	Income recognised in the year	18
EBITDA	525	Total cost	1,262
Loss before tax	(198)	Total valuation	1,762
Net assets	20	Voting rights	12.5 per cent.
Basis of valuation	Valuation supported by third party valuation	Voting rights for all Albion managed companies	50.0 per cent.

Earnside Energy Limited

The company owns an anaerobic digestion ("AD") plant and composting business near Perth in Scotland. The AD plant has been operational since 2012 and further funding has been provided for its expansion.

	Audited results: year to 31 December 2016 £'000	Investment information	£'000
Turnover	2,609	Income recognised in the year	105
EBITDA	335	Total cost	1,394
Loss before tax	(719)	Valuation	1,694
Net assets	803	Voting rights	8.7 per cent.
Basis of valuation	Valuation supported by third party valuation	Voting rights for all Albion managed companies	50.0 per cent.

Alto Prodotto Wind Limited

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

Website: www.infinite-energy.org.uk

	Audited results: year to 31 March 2016 £'000	Investment information	£'000
Turnover	1,253	Income recognised in the year	126
EBITDA	895	Total cost	989
Profit before tax	161	Valuation	1,528
Net assets	1,520	Voting rights	11.1 per cent.
Basis of valuation	Valuation supported by third party valuation	Voting rights for all Albion managed companies	50.0 per cent.

Greenenerco Limited

Greenenerco Limited owns and operates a 500kW wind project in the UK.

	Audited results: year to 31 March 2016 £'000	Investment information	£'000
Turnover	417	Income recognised in the year	101
EBITDA	323	Total cost	959
Profit before tax	56	Valuation	1,437
Net assets	547	Voting rights	28.6 per cent.
Basis of valuation	Valuation supported by third party valuation	Voting rights for all Albion managed companies	50.0 per cent.

Net assets of a portfolio company where a recent third party valuation has taken place, may have a higher valuation in Albion Enterprise VCT PLC accounts than in their own, if portfolio companies do not have a policy of revaluing their fixed assets.

Directors' report

The Directors submit their Annual Report and the audited Financial Statements on the affairs of the Company for the year ended 31 March 2017.

BUSINESS REVIEW

Principal activity and status

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

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

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

Capital structure

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

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

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

Shareholders are entitled to receive dividends and are entitled to the return on capital on winding up or other return on 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 6,168,271 Ordinary shares, of which 5,784,719 Ordinary shares were issued under the Albion VCTs Top Up Offers; and 383,552 Ordinary shares were issued under the Dividend Reinvestment Scheme. The Company engaged in the Albion VCTs Prospectus Top Up Offers 2016/2017 which closed on 20 February 2017, having been fully subscribed and reaching its £6m limit under the Prospectus dated 29 November 2016.

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 7 of the Chairman's statement.

Substantial interests and shareholder profile

As at 31 March 2017 and at the date of this report, the Company was not aware of any shareholder who had a beneficial interest exceeding 3 per cent. of voting rights. There have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 March 2017, and up to the date of this report.

Future developments of the business

Details on the future developments of the business can be found on page 7 of the Chairman's statement and on page 10 of the Strategic report.

Results and dividends

Detailed information on the results and dividends for the year ended 31 March 2017 can be found in the Strategic report on page 9.

Going concern

In accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014, the Board has assessed the Company's operation as a going concern. The Company has adequate cash and liquid resources, and the major cash outflows of the Company (namely investments, share buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

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

Post balance sheet events

Details of events that have occurred since 31 March 2017 are shown in note 19.

Directors' report (continued)

Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 12 and 13 of the Strategic report.

VCT regulation

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

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

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

(3) At least 30 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. For funds raised after 5 April 2011 the figure is 70 per cent.;

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

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

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

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

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

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

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

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any portfolio company. The tests have been carried out and independently reviewed for the year ended 31 March 2017. 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 8.

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

Global greenhouse gas emissions

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

Anti-bribery policy

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

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

Diversity

The Board currently consists of three male directors and one female director. The Board's policy on the recruitment of new

Directors' report (continued)

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 15.

The Manager has an equal opportunities policy and currently employs 11 men and 13 women.

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

Directors
The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 33.

No Director has a service contract with the Company.

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

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

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

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

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

Auditor
The external audit was last put out to tender in 2007 when the current auditor, BDO LLP, was appointed for the year ended 31 March 2008. Following the implementation of EU Audit Reform, Albion Enterprise VCT PLC is required to conduct a selection process for the appointment of the external auditor every 10 years. Accordingly, the Audit Committee has begun to undertake a selection process for the appointment of the external auditor for the financial year ending 31 March 2018 so as to ensure auditor independence and continued quality of judgement. The Company can confirm that there are no contractual obligations that restrict the Company's choice of external auditor.

The Directors expect to have completed the selection process by the date of the AGM and to appoint the auditor immediately after that. Resolutions 8 and 9 in the notice of meeting gives authority to the Directors to make that appointment and to fix the auditor's remuneration. Such appointment will continue until the next AGM.

Annual General Meeting
The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 12 noon on 22 August 2017. 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.

Directors' report (continued)

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

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

Continuation as a venture capital trust and amendment of Article 136

Ordinary resolution number 10 proposes the continuation of the Company as a venture capital trust. Under the Articles of Association of the Company, the Directors are required to procure that an ordinary resolution to approve the continuation of the Company as a venture capital trust is proposed at the Annual General Meeting in 2017 and every five years thereafter. The Directors consider that it is more usual in the VCT market for resolutions of this nature to be proposed every 10 years and accordingly resolution 11 in the Notice of AGM is a special resolution to amend Article 136 to provide for the continuation resolution to be proposed in 2027 and every 10 years thereafter.

Change of investment policy

Ordinary resolution 12 proposes that the Company's investment policy be clarified and amended by the insertion of the following paragraphs:

VCT qualifying investments

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

Non-VCT qualifying investments

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with credit ratings, assigned by international credit agencies, of A or better (on acquisition) or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so).

Investment in such open-ended equity funds will not exceed 10 per cent. of the Company's assets at the time of investment.

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within venture capital trust qualifying industry sectors using a mixture of securities. The tests set out above drive a spread of investment risk through disallowing holdings of more than 15 per cent. in one portfolio company and accordingly the maximum amount which the Company will invest in a single company is 15 per cent. of the Company's investments at cost. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of investments' suitability for sale. It is possible that individual holdings may grow in value to a point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

Gearing

Albion Enterprise VCT's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not currently have any intention to utilise long term gearing.

Authority to allot shares

Ordinary resolution number 13 will request the authority for the Directors to allot up to an aggregate nominal amount of £116,517 representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this Report.

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

The Company currently holds 6,429,443 treasury shares representing 11.0 per cent. of the total Ordinary share capital in issue as at the date of this Report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2016. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Disapplication of pre-emption rights

Special resolution number 14 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 £116,517 of the nominal value of the share capital representing approximately 20 per cent. of the

Directors' report (continued)

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 2016. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Purchase of own shares

Special resolution number 15 will request authority for the Company to purchase up to 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 15.

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

This resolution would renew the 2016 authority, which was on similar terms. During the financial year under review, the Company purchased 759,443 Ordinary shares for treasury with a nominal value of £7,600 at an aggregate consideration of £689,000 including stamp duty and did not purchase any Ordinary shares for cancellation or dispose of any Ordinary shares. The maximum nominal value of treasury shares held during the year was £64,300.

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

Treasury shares

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

Special resolution number 16 will request the authority to permit Directors to sell treasury shares at the higher of the prevailing current share price and the price at which they were bought in at.

Recommendation

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

Disclosure of information to Auditor

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

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

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

By Order of the Board

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

13 July 2017

Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable UK accounting standards, subject to any material departures disclosed and explained in the Financial Statements;
- prepare a Strategic report, a Director's report and Director's remuneration report which comply with the requirements of the Companies Act 2006.

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

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

Website publication

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

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

The Directors confirm to the best of their knowledge:

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

By Order of the Board

Maxwell Packe
Chairman
13 July 2017

Statement of corporate governance

Background
The Financial Conduct Authority requires all companies listed on a regulated market to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council ("FRC") in September 2014.

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

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

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

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

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

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

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

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 15. The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender, experience and balance of skills.

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

The Board met four times during the year as part of its regular programme of quarterly Board meetings. All of the Directors attended all meetings. A sub-committee of the Board comprising at least two Directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the Albion VCTs Top Up Offers. A sub-committee of the Board also met during the year to approve the terms and contents of the Offers documents under the Albion VCTs Prospectus Top Up Offers 2016/2017.

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

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

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

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;
- evaluation of non-audit services provided by the external Auditor;
- approval of the appropriate dividend to be paid to shareholders;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price;
- share buy-back and treasury share policy; and
- monitoring shareholder profile and considering shareholder communications.

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

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

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

The evaluation process has identified that the Board works well together and has the right balance of skills, experience, independence and knowledge of the Company amongst the Directors. Diversity within the Board is achieved through the appointment of directors with different backgrounds and skills.

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

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

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

The terms of reference for the Remuneration Committee can be found on the Company's webpage on the Manager's website at www.albion.capital/funds/AAEV under the "Corporate Governance" section.

Audit Committee
Lord St John of Bletso is Chairman of the Audit Committee and all of the Directors are members of this Committee except Patrick Reeve. In accordance with the Code, all members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 March 2017; all members attended.

Written terms of reference have been constituted for the Audit Committee and can be found on the Company's webpage on the Manager's website at www.albion.capital/funds/AAEV under the "Corporate Governance" section.

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

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

Statement of corporate governance (continued)

were addressed through detailed review, discussion and challenge by the Board of these matters, as well as by reference to underlying technical information;

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

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

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

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

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

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

Relationship with the External Auditor
The Audit Committee reviews the performance and continued suitability of the Company's external Auditor on an annual basis. They assess the external Auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external Auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. There were no non-audit fees charged to the Company during the year.

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

– Qualification
– Expertise
– Resources
– Effectiveness
– Independence
– Leadership

In order to form a view of the effectiveness of the external audit process, the Committee took into account information from the Manager regarding the audit process, the formal documentation issued to the Audit Committee and the Board by the external Auditor regarding the external audit for the year ended 31 March 2017, and assessments made by individual Directors.

The Audit Committee also has an annual meeting with the external Auditor, without the Manager present, at which pertinent questions are asked to help the Audit Committee determine if the Auditor's skills match all the relevant and appropriate criteria.

The core legislation mandates that the maximum period for which a firm can be appointed auditor of a public interest entity is 10 years. Member states can choose to make this period shorter, or they can choose to allow extensions: to 20 years if a competitive tender is held at the 10 year point, or to 24 years in the case of a joint audit appointment. Transition arrangements vary depending on the length of time auditors have been incumbent. BDO first acted as Auditor for the year ended 31 March 2008 and therefore the last year BDO can act as auditor before a mandatory tender process is required is 31 March 2017. Accordingly, the Audit Committee has begun to undertake a selection process for the appointment of the external auditor for the financial year ending 31 March 2018 so as to ensure auditor independence and continued quality of judgement. The Company can confirm that there are no contractual obligations that restrict the

Statement of corporate governance (continued)

Company's choice of external auditor. The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services.

Nomination Committee

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

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

The Nomination Committee did not meet during the year.

Terms of reference for the Nomination Committee can be found on the Company's webpage on the Manager's website at www.albion.capital/funds/AAEV under the "Corporate Governance" section.

Internal control

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

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

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

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

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

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

Conflicts of interest

Directors review the disclosure of conflicts of interest annually, with any changes reviewed and noted at the beginning of each Board meeting. A Director who has conflicts of interest has two independent Directors authorise those conflicts. 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 21, 24 and 25 of the Directors' report. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Statement of corporate governance (continued)

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

Relationships with shareholders

The Company's Annual General Meeting on 22 August 2017 will be used as an opportunity to communicate with shareholders. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

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

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

Statement of compliance

The Directors consider that, with the exception of the requirement for the appointment of a Chief Executive Officer the Company has complied throughout the year ended 31 March 2017 with all the relevant provisions set out in the Code and with the AIC Code of Corporate Governance. The Company continues to comply with the Code, as at the date of this Report.

By Order of the Board

Maxwell Packe
Chairman
13 July 2017

Directors' remuneration report

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

Ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 22 August 2017 for the approval of the Directors' Remuneration Policy and the Annual Remuneration Report as set out below.

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

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

The Remuneration Committee met during the year to review Directors responsibilities and salaries against the market and concluded the current fees should be increased to remain both competitive and reflective of the workload and responsibilities required from the Directors. The Committee agreed to raise the salary for the Chairman to £24,000, the Chairman of the Audit Committee to £22,000 and all other Directors to £20,000. The change in remuneration took place from 1 April 2016 and is in line with the remuneration policy as detailed below.

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

This policy was last voted on at the 2014 Annual General Meeting where 97 per cent. of shareholders voted for the resolution approving the Directors' Remuneration Policy which shows significant Shareholder support.

The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £100,000 per annum; amendment to this is by way of an ordinary resolution subject to ratification by shareholders. This policy will continue for the year ended 31 March 2018. An ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at least once every three years.

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

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

Shareholders' views in respect of Directors' remuneration are regarded highly and the Board encourages Shareholders' to attend its Annual General Meeting in order to communicate their thoughts, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 97 per cent. of shareholders voted for the resolution approving the Directors' Remuneration Report.

Annual report on remuneration
The remuneration of individual Directors' is determined by the Remuneration Committee within the framework set by the Board. The Committee meets at least once a year and met once after the year under review with full attendance from all of its members.

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

Directors' remuneration report (continued)

Directors' remuneration
The following items have been audited.

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

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Maxwell Packe	**24**	20
Albion Capital Group LLP (for Patrick Reeve's services)	**20**	18
Lord St John of Bletso	**22**	18
Lady Balfour of Burleigh	**20**	18
	86	74

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

Each Director of the Company was remunerated personally through the Manager's payroll, which has been recharged to the Company, save for Patrick Reeve, whose services are provided by Albion Capital Group LLP.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £8,414 (2016: £8,426).

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

	Shares held on 31 March 2017	Shares held on 31 March 2016
Maxwell Packe	**428,613**	408,493
Lady Balfour of Burleigh	**31,705**	30,674
Lord St John of Bletso	**30,831**	20,700
Patrick Reeve	**72,317**	68,694

There have been no further changes in the holdings of the Directors between 31 March 2017 and the date of this Report.

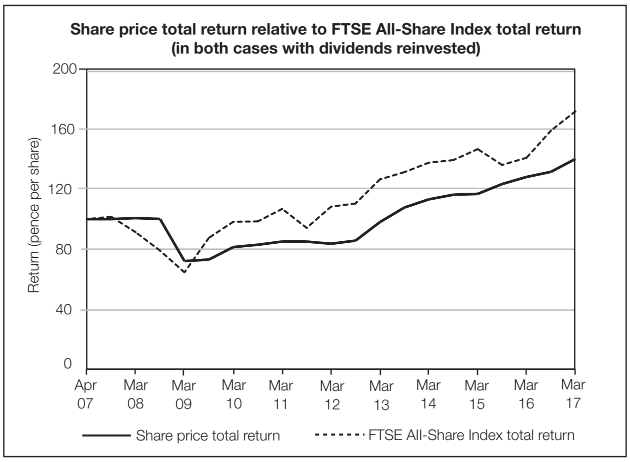
There are no guidelines or requirements in respect of Directors' share holdings.

The following items have not been audited.

The Albion Capital Group, its Partners and staff hold a total of 274,595 shares in the Company as at 31 March 2017.

Performance graph
The graph below shows the Company's share price total return relative to the FTSE All-Share Index total return, in both instances with dividends reinvested, since launch. The Directors consider the FTSE All-Share Index to be the most appropriate benchmark for the Company as it contains a large range of sectors within the UK economy similar to a generalist VCT. Investors should, however, be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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



Source: Albion Capital Group LLP

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

	2017 £'000	2016 £'000	**Percentage change**
Total dividend distribution to shareholderss	**2,405**	2,087	**15.2**
Share buybacks	**689**	692	**(0.4)**
Total directors fees	**86**	74	**16.2**

By Order of the Board

Maxwell Packe
Director
13 July 2017

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

Our opinion on the Financial Statements

In our opinion the Albion Enterprise VCT plc Financial Statements for the year ended 31 March 2017, which have been prepared by the Directors in accordance with 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):

- give a true and fair view of the state of the Company’s affairs as at 31 March 2017 and 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.

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.

What our opinion covers

Our audit opinion on the Financial Statements covers the:

- Income Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- related notes

Respective responsibilities of Directors and auditor

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

A description of the scope of an audit of Financial Statements is provided on the FRC’s website at www.frc.org.uk/auditscopeukprivate.

An overview of the scope of the audit including our assessment of the risk of material misstatement

Our audit approach was developed by obtaining an understanding of the Company’s activities, the key functions undertaken on behalf of the Board by the Manager and Administrator 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.

The valuation of investments and revenue recognition were the risks that had the greatest impact on our audit strategy and scope, including the allocation of resources in the audit.

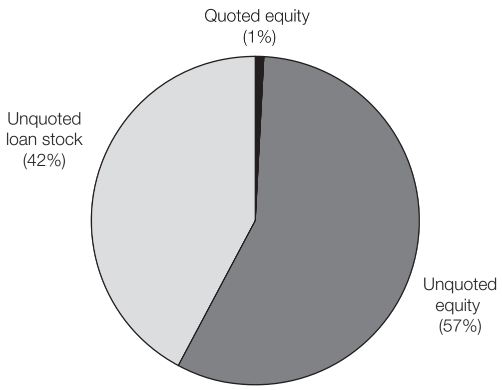
Investments

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Manager, who is remunerated based on the net asset value of the Company.

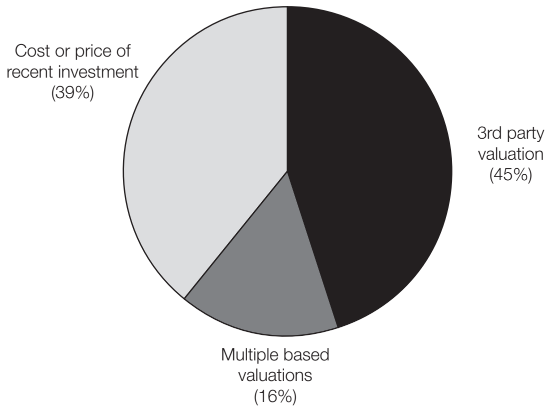
Independent Auditor's report to the Members of Albion Enterprise VCT PLC (continued)

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument type and valuation method is shown below.

Investment Portfolio by Type



Unquoted Investments – Valuation Method



We tested a sample of 89% of the unquoted investment portfolio.

39% of the unquoted portfolio is based on valuations using a price of recent investment, net assets or cost (where the investment was recently acquired). For such investments, we verified the cost, net assets or price of recent investment to supporting documentation and reviewed the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology did not remain appropriate at 31 March 2017.

The remaining 61% of the portfolio is valued with reference to more subjective techniques including 45% supported by a third party valuation: 17% using discounted cash flows and 28% using earnings multiples. The remaining 16% of the portfolio is valued using multiples of earnings or revenue. For detailed testing we:

- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines
- Re-performed the calculation of the multiples based investment valuations
- Where a valuation has been performed by a third party, we assessed management's expert, the quality of their work and their qualifications, as well as challenged the basis of inputs and assumptions used by the expert, as well as any updates to the valuation made by the investment manager
- Verified and benchmarked key inputs and estimates to independent information and our own research
- Challenged the assumptions inherent in the valuation of unquoted investments, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements

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

- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation
- Considered the need to develop our own point estimate 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.

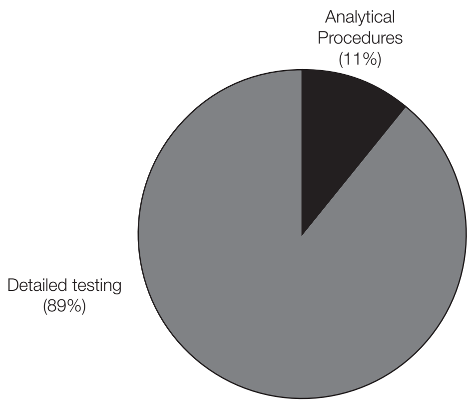
For a risk-weighted sample of loans held at fair value, we:

- Vouched security held to documentation
- Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept
- Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP

In respect of quoted equity investments, we confirmed that bid price had been used and that there were no contra indicators, such as liquidity considerations, to suggest bid price was not the most appropriate indication of fair value. 1% of the portfolio is valued at bid price.

The chart below depicts the coverage of our audit work across the entire portfolio:

Investments by value



Revenue

Revenue consists of dividends receivable from the portfolio companies and interest earned on loans to portfolio companies and cash balances. Revenue recognition is a significant audit risk as it is one of the key drivers of dividend returns to investors. In particular, in unquoted companies, dividends receivable can be difficult to predict.

We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.

We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income, considering management information relevant to the ability of the portfolio Company to service the loan and the reasons for any arrears of loan interest.

In respect of dividends receivable, we compared actual income to expectations set based on independent published data or management information from the investee company on dividends declared by the portfolio companies held. We tested the categorisation of dividends received from the portfolio companies between the revenue and capital.

The audit committee's consideration of their key issues is set out on pages 28 to 29.

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

Materiality in context
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality – Based on 2% of invested assets	Assessing whether the Financial Statements as a whole present a true and fair view	● The value of investments ● The level of judgement inherent in the valuation ● The range of reasonable alternative valuation	760,000
Specific materiality – classes of transactions and balances which impact on revenue profits – Based on 10% of the revenue return before tax	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the Financial Statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements	● The level of net income return	40,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £8,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Statement regarding the Directors' assessment of principal risks, going concern and longer term viability of the Company
We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, 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 entity 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.

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

Matters on which we are required to report by exception
Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

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

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

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.

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

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 21, in relation to going concern and on page 14 in relation to longer-term viability; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor in accordance with Listing Rule 9.8.10 R(2).

We have nothing to report in respect of these matters.

Vanessa-Jayne Bradley (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
13 July 2017

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

Income statement

		Year ended 31 March 2017			Year ended 31 March 2016		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	5,790	5,790	–	2,003	2,003
Investment income	4	939	–	939	1,367	–	1,367
Investment management fees	5	(292)	(875)	(1,167)	(247)	(741)	(988)
Performance incentive fee	5	(64)	(191)	(255)	–	–	–
Other expenses	6	(227)	–	(227)	(209)	–	(209)
Return on ordinary activities before tax		356	4,724	5,080	911	1,262	2,173
Tax (charge)/credit on ordinary activities	8	(57)	57	–	(159)	148	(11)
Return and total comprehensive income attributable to shareholders		299	4,781	5,080	752	1,410	2,162
Basic and diluted return per share (pence)*	10	0.64	10.23	10.87	1.85	3.48	5.33

* excluding treasury shares

The accompanying notes on pages 43 to 55 form an integral part of these Financial Statements.

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

Balance sheet

	Note	31 March 2017 £'000	31 March 2016 £'000
Fixed asset investments	11	**37,775**	32,971
Current assets			
Trade and other receivables less than one year	13	**232**	2,880
Cash and cash equivalents		**15,121**	8,980
		15,353	11,860
Total assets		**53,128**	44,831
Payables: amounts falling due within one year			
Trade and other payables less than one year	14	**(670)**	(361)
Total assets less current liabilities		**52,458**	44,470
Equity attributable to equity holders			
Called up share capital	15	**580**	518
Share premium		**23,225**	17,285
Capital redemption reserve		**104**	104
Unrealised capital reserve		**9,910**	6,389
Realised capital reserve		**1,284**	24
Other distributable reserve		**17,355**	20,150
Total equity shareholders' funds		**52,458**	44,470
Basic and diluted net asset value per share (pence)*	16	**101.79**	96.41

* excluding treasury shares

The accompanying notes on pages 43 to 55 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and were authorised for issue on 13 July 2017 and were signed on its behalf by

Maxwell Packe
Chairman

Company number: 05990732

Statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 April 2016	**518**	**17,285**	**104**	**6,389**	**24**	**20,150**	**44,470**
Return/(loss) and total comprehensive income for the year	**–**	**–**	**–**	**5,016**	**(235)**	**299**	**5,080**
Transfer of previously unrealised gains on sale of investments	**–**	**–**	**–**	**(1,495)**	**1,495**	**–**	**–**
Issue of equity	**62**	**6,106**	**–**	**–**	**–**	**–**	**6,168**
Cost of issue of equity	**–**	**(166)**	**–**	**–**	**–**	**–**	**(166)**
Purchase of shares for treasury	**–**	**–**	**–**	**–**	**–**	**(689)**	**(689)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(2,405)**	**(2,405)**
As at 31 March 2017	**580**	**23,225**	**104**	**9,910**	**1,284**	**17,355**	**52,458**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 April 2015	409	6,969	104	4,189	814	22,177	34,662
Return/(loss) and total comprehensive income for the year	–	–	–	2,047	(637)	752	2,162
Transfer of previously unrealised losses on sale of investments	–	–	–	153	(153)	–	–
Issue of equity	109	10,610	–	–	–	–	10,719
Cost of issue of equity	–	(294)	–	–	–	–	(294)
Purchase of shares for treasury	–	–	–	–	–	(692)	(692)
Dividends paid	–	–	–	–	–	(2,087)	(2,087)
As at 31 March 2016	518	17,285	104	6,389	24	20,150	44,470

* These reserves amount to £18,639,000 (2016: £20,174,000) which is considered distributable.

Statement of cash flows

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Cash flow from operating activities		
Investment income received	**733**	1,098
Dividend income received	**70**	117
Deposit interest received	**76**	84
Investment management fees paid	**(1,117)**	(927)
Other cash payments	**(226)**	(208)
UK corporation tax (paid)/refund	**(11)**	8
Net cash flow from operating activities	**(475)**	172
Cash flow from investing activities		
Purchase of fixed asset investments	**(3,375)**	(2,941)
Disposal of fixed asset investments	**4,424**	1,114
Net cash flow from investing activities	**1,049**	(1,827)
Cash flow from financing activities		
Issue of share capital (1)	**8,271**	7,499
Cost of issue of equity	**(1)**	(7)
Dividends paid	**(2,037)**	(1,786)
Purchase of own shares (including costs)	**(666)**	(692)
Net cash flow from financing activities	**5,567**	5,014
Increase in cash and cash equivalents	**6,141**	3,359
Cash and cash equivalents at start of the year	**8,980**	5,621
Cash and cash equivalents at end of year	**15,121**	8,980
Cash and cash equivalents comprise		
Cash at bank and in hand	**15,121**	8,980
Cash equivalents	**–**	–
Total cash and cash equivalents	**15,121**	8,980

(1) Amounts received in the year included £2,634,000 from the share issue declared in March 2016.

Notes to the Financial Statements

1. Accounting convention

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

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

Company information can be found on page 2.

2. Accounting policies

Fixed asset investments

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

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

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

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

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;

- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the IPEVCV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate a diminution include:

    - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;

    - a significant adverse change either in the portfolio company’s business or in the technological, market, economic, legal or regulatory environment in which the business operates; or

    - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

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

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

Investment income

Equity income

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

Unquoted loan stock and other preferred income

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

Bank interest income

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

Investment management fees and other expenses

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

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

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

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

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

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

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

Realised capital reserve
The following are disclosed in this reserve:

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

Other distributable reserve
The special reserve, treasury share reserve and the revenue reserve were combined in 2013 to form a single reserve named other distributable reserve.

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

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

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

Notes to the Financial Statements (continued)

3. Gains on investments

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Unrealised gains on fixed asset investments	**5,016**	2,047
Realised gains/(losses) on fixed asset investments	**774**	(44)
	5,790	2,003

4. Investment income

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Income recognised on investments		
Interest from loans to portfolio companies	**800**	1,166
Dividends	**70**	117
Bank deposit interest	**69**	84
	939	1,367

Interest income earned on impaired investments at 31 March 2017 amounted to £15,000 (2016: £45,000).

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

5. Investment management fees

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Investment management fee charged to revenue	**292**	247
Investment management fee charged to capital	**875**	741
Performance incentive fee charged to revenue	**64**	–
Performance incentive fee charged to capital	**191**	–
	1,422	988

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid is given in the Strategic report on pages 11 and 12.

During the year, services of a total value of £1,167,000 (2016: £988,000) were purchased by the Company from Albion Capital Group LLP in respect of management fees. In addition, a performance incentive fee with a value of £255,000 (2016: £nil) has been disclosed in the Income statement. At the financial year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals and deferred income was £583,000 (2016: £278,000).

Patrick Reeve is the managing partner of the Manager, Albion Capital Group LLP. During the year, the Company was charged by Albion Capital Group LLP £24,000 including VAT (2016: £21,600) in respect of his services as a Director. At the year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals and deferred income was £6,000 (2016: £5,400).

Albion Capital Group LLP, holds 17,262 Ordinary shares in the Company.

The Manager is, from time to time, eligible to receive transaction fees and Directors' fees from portfolio companies. During the year ended 31 March 2017, fees of £167,000 attributable to the investments of the Company were received pursuant to these arrangements (2016: £162,000).

6. Other expenses

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Directors' fees and associated costs (inclusive of NIC and VAT)	**97**	85
Auditor's remuneration for statutory audit services (exclusive of VAT)	**26**	27
Other administrative expenses	**104**	97
	227	209

7. Directors' fees and associated costs

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

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Directors' fees	**86**	74
National insurance and/or VAT	**10**	8
Expenses	**1**	3
	97	85

The Company's key management personnel are the Directors. Expenses charged related to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 32 and 33.

8. Tax charge on ordinary activities

	Year ended 31 March 2017			Year ended 31 March 2016		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of the current year	**57**	**(57)**	**–**	159	(148)	11
UK corporation tax in respect of prior year	**–**	**–**	**–**	–	–	–
	57	**(57)**	**–**	159	(148)	11

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Return on ordinary activities before tax	**5,080**	2,173
Tax charge on profit at the standard companies rate of 20% (2016: 20%)	**1,016**	435
Factors affecting the charge:		
Non taxable gains	**(1,158)**	(401)
Income not taxable	**(14)**	(23)
Unutilised management expenses	**156**	–
	–	11

The tax charge for the year shown in the Income statement is lower than the standard company's rate of corporation tax in the UK of 20 per cent. (2016: 20 per cent.). The differences are explained above.

The Company has excess management expenses of £779,000 (2016: £nil) that are available for offset against future profits. A deferred tax asset of £132,000 (2016: £nil) has not been recognised in respect of those losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

Notes

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

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

Notes to the Financial Statements (continued)

9. Dividends

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Dividend of 2.50p per share paid on 28 August 2015	**–**	999
Dividend of 2.50p per share paid on 29 February 2016	**–**	1,088
Dividend of 2.50p per share paid on 31 August 2016	**1,156**	–
Dividend of 2.50p per share paid on 28 February 2017	**1,249**	–
	2,405	2,087

Details of the consideration paid under the Dividend Reinvestment Scheme included in the dividends above can be found in note 15.

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2018 of 2.50 pence per share. This dividend will be paid on 31 August 2017 to shareholders on the register on 4 August 2017. The total dividend will be approximately £1,296,000.

10. Basic and diluted return per share

	Year ended 31 March 2017			Year ended 31 March 2016		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return attributable to equity shares (£'000)	**299**	**4,781**	**5,080**	911	1,262	2,173
Weighted average shares in issue (excluding treasury shares)		**46,759,602**			40,534,139	
Return attributable per equity share (pence)	**0.64**	**10.23**	**10.87**	1.85	3.48	5.33

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

The weighted average number of shares is calculated excluding treasury shares of 6,429,443 (2016: 5,670,000).

11. Fixed asset investments

	31 March 2017 £'000	31 March 2016 £'000
Investments held at fair value through profit or loss		
Unquoted equity and preference shares	**21,426**	16,734
Quoted equity	**368**	605
Unquoted loan stock	**15,981**	15,632
	37,775	32,971

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

	31 March 2017 £'000	31 March 2016 £'000
Opening valuation	**32,971**	29,283
Purchases at cost	**3,407**	2,941
Disposal proceeds	**(4,427)**	(1,324)
Realised gains/(losses)	**774**	(44)
Movement in loan stock revenue accrued income	**35**	67
Unrealised gains	**5,016**	2,047
Closing valuation	**37,775**	32,971
Movement in loan stock revenue accrued income		
Opening accumulated movement in loan stock revenue accrued income	**181**	114
Movement in loan stock revenue accrued income	**35**	67
Closing accumulated movement in loan stock revenue accrued income	**216**	181
Movement in unrealised gains		
Opening accumulated unrealised gains	**6,389**	4,189
Movement in unrealised gains	**5,016**	2,047
Transfer of previously unrealised (gains)/losses to realised reserve on disposal of investments	**(1,495)**	153
Closing accumulated unrealised gains	**9,910**	6,389
Historic cost basis		
Opening book cost	**26,400**	24,980
Purchases at cost	**3,407**	2,941
Sales at cost	**(2,158)**	(1,521)
Closing book cost	**27,649**	26,400

The amounts shown for the purchase and disposal of fixed assets included in the cash flow statement differ from the amounts shown above, due to deferred consideration shown as a receivable, and investment settlement receivables and payables.

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

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

Valuation methodology	**31 March 2017 £'000**	31 March 2016 £'000
Valuation supported by third party valuation or desktop valuation	**16,950**	15,851
Cost and price of recent investment (reviewed for impairment or uplift)	**14,640**	7,365
Revenue multiple	**4,115**	6,128
Earnings multiple	**1,702**	2,448
Discount to third party offer	**–**	574
	37,407	32,366

Full valuations are prepared by independent RICS qualified surveyors in full compliance with the RICS Red Book.

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

Fair value investments had the following movements between valuation methodologies between 31 March 2016 and 31 March 2017:

Change in valuation methodology (2016 to 2017)	Value as at 31 March 2017 £'000	Explanatory note
Revenue multiple to price of recent investment	**3,949**	Investment round has recently taken place
Discount to third party offer to price of recent investment	**1,329**	Investment round has recently taken place
Cost to revenue multiple	**532**	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 IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 March 2017.

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, which has been adopted early.

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

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

Investments held at fair value through profit or loss (Level 3) had the following movements in the year to 31 March 2017:

	31 March 2017			31 March 2016		
	Equity £'000	**Unquoted loan stock £'000**	**Total £'000**	Equity £'000	Unquoted loan stock £'000	Total £'000
Opening balance	**16,734**	**15,632**	**32,366**	13,933	14,836	28,769
Additions	**2,345**	**1,062**	**3,407**	1,484	1,458	2,942
Disposals	**(3,271)**	**(1,156)**	**(4,427)**	(547)	(777)	(1,324)
Realised gains/(losses)	**774**	**–**	**774**	(51)	7	(44)
Debt/equity swap	**343**	**(343)**	**–**	293	(293)	–
Accrued loan stock interest	**–**	**35**	**35**	–	67	67
Unrealised gains	**4,501**	**751**	**5,252**	1,622	334	1,956
Closing balance	**21,426**	**15,981**	**37,407**	16,734	15,632	32,366

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. 71 per cent. of the portfolio of investments is based on cost, recent investment price or is loan stock, and as such the Board considers that the assumptions used for their valuations are the most reasonable. The Directors believe that changes to reasonable possible alternative assumptions (by adjusting the revenue and earnings multiples) for the valuations of the remainder of the portfolio companies could result in an increase in the valuation of investments by £463,000 or a decrease in the valuation of investments by £702,000. For valuations based on earnings and revenue multiples, the Board considers that the most significant input is the price/earnings ratio; for valuations based on third party valuations, the Board considers that the most significant inputs are price/earnings ratio, discount factors and market values for buildings; which have been adjusted to drive the above sensitivities.

Notes to the Financial Statements (continued)

12. Significant interests

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

The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio company as at 31 March 2017 as described below:

Company	**Country of incorporation**	**Profit before tax £'000**	**Net assets £'000**	**Result for year ended**	**% class and share type**	**% total voting rights**
Greenenerco Limited	Great Britain	56	547	31 March 2016	28.6% A Ordinary	28.6%

13. Current assets

Trade and other receivables less than one year	**31 March 2017 £'000**	31 March 2016 £'000
Fundraising receivable*	**–**	2,635
Deferred consideration**	**226**	223
Prepayments and accrued income	**6**	18
Other receivables	**–**	4
	232	2,880

*The shares were allotted on 31 March 2016 but the monies were received by the Company in April 2016.

**Deferred consideration in relation to the sale of Silent Herdsman Holdings Limited (£147,000), Masters Pharmaceuticals Limited (£47,000) and Exco Intouch Limited (£32,000).

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

14. Payables: amounts falling due within one year

	31 March 2017 £'000	31 March 2016 £'000
Trade payables	**30**	18
Accruals and deferred income	**640**	332
UK corporation tax payable	**–**	11
	670	361

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

Notes to the Financial Statements (continued)

15. Called up share capital

	£'000
Allotted, called up and fully paid	
51,796,503 Ordinary shares of 1 penny each at 31 March 2016	518
6,168,271 Ordinary shares of 1 penny each issued during the year	62
57,964,774 Ordinary shares of 1 penny each at 31 March 2017	**580**
5,670,000 Ordinary shares of 1 penny each held in treasury at 31 March 2016	(57)
759,443 Ordinary shares purchased during the year to be held in treasury	(7)
6,429,443 Ordinary shares of 1 penny each held in treasury at 31 March 2017	**(64)**
51,535,331 Ordinary shares of 1 penny each in circulation* at 31 March 2017	**516**

*Carrying one vote each

The Company purchased 759,443 shares (2016: 763,000) to be held in treasury at a nominal value of £7,600 and a cost of £689,000 (2016: £692,000) representing 1.3 per cent. of the shares in issue as at 31 March 2017.

The Company did not cancel any shares from treasury during the year ended 31 March 2017 (2016: nil), leaving a balance of 6,429,443 shares (2016: 5,670,000) in treasury representing 11.1 per cent. (2016: 11 per cent.) of the shares in issue as at 31 March 2017 with a nominal value of £64,000.

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

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
31 August 2016	184,698	2	94.66	173	88.50
28 February 2017	198,854	2	97.44	192	95.00
	383,552	**4**		**365**	

During the year the following new Ordinary shares of nominal value 1 penny each were allotted under the terms of the Albion VCTs Prospectus Top Up Offers 2015/2016 and the Albion VCTs Prospectus Top Up Offers 2016/2017:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
6 April 2016	53,319	1	97.70	51	91.50
6 April 2016	7,296	-	98.20	7	91.50
6 April 2016	52,994	1	98.70	51	91.50
31 January 2017	892,917	9	99.40	870	92.00
31 January 2017	309,346	3	99.90	301	92.00
31 January 2017	2,782,544	28	100.50	2,713	92.00
28 March 2017	1,686,303	17	100.50	1,644	95.00
	5,784,719	**58**		**5,637**	

16. Basic and diluted net asset value per share

	31 March 2017 (pence per share)	31 March 2016 (pence per share)
Basic and diluted net asset value per Ordinary share	**101.79**	96.41

The basic and diluted net asset value per share at the year end is calculated in accordance with the Articles of Association and is based upon total shares in issue (less treasury shares) of 51,535,331 Ordinary shares (2016: 46,126,503) at 31 March 2017.

Notes to the Financial Statements (continued)

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 7 of the Chairman's statement.

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

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

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

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

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and to provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk.

By its nature, the Company has an amount of capital, at least 70 per cent. (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the levels of liabilities are small and the management of them is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted investments, details of which are shown on pages 17 and 18. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio companies and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the balance sheet date is the value of the fixed asset investment portfolio which is £37,775,000 (2016: £32,971,000). Fixed asset investments form 72 per cent. of the net asset value as at 31 March 2017 (2016: 74 per cent.).

More details regarding the classification of fixed asset investments is 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. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately 65 per cent. of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of investments section on pages 17 and 18 and in the Strategic report.

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

Notes to the Financial Statements (continued)

17. Capital and financial instruments risk management (continued)

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. 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 £3,778,000 (2016: £3,297,000).

Interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise of 1.0 per cent. in all interest rates would have increased total return before tax for the year by approximately £77,000 (2016: £66,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average effective interest rate applied to the Company's unquoted loan stock during the year was approximately 6.3 per cent. (2016: 8.8 per cent.). The weighted average period to expected maturity for the unquoted loan stock is approximately 5.0 years (2016: 5.4 years).

The Company's financial assets and liabilities as at 31 March 2017, all denominated in pounds sterling, consist of the following:

	31 March 2017				31 March 2016			
	Fixed rate £'000	**Floating rate £'000**	**Non-interest bearing £'000**	**Total £'000**	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Unquoted equity	**–**	**–**	**21,426**	**21,426**	–	–	16,734	16,734
Quoted equity	**–**	**–**	**368**	**368**	–	–	605	605
Unquoted loan stock*	**15,571**	**–**	**410**	**15,981**	15,090	–	542	15,632
Receivables**	**–**	**–**	**227**	**227**	–	–	2,868	2,868
Cash	**–**	**15,121**	**–**	**15,121**	–	8,980	–	8,980
Current liabilities**	**–**	**–**	**(670)**	**(670)**	–	–	(350)	(350)
	15,571	**15,121**	**21,761**	**52,453**	15,090	8,980	20,399	44,469

*Including convertible loan stock and debt issued at a discount.

**The receivables and current liabilities do not reconcile to the Balance sheet as prepayments and tax payable 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, contingent future receipts, investment in unquoted loan stock and through the holding of cash on deposit with banks.

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

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

The Company's total gross credit risk as at 31 March 2017 was limited to £15,981,000 (2016: £15,632,000) of unquoted loan stock instruments (all of which are secured on the assets of the portfolio company), £15,121,000 (2016: £8,980,000) of cash deposits with banks and £227,000 (2016: £2,861,000) of other receivables.

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

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

Notes to the Financial Statements (continued)

17. Capital and financial instruments risk management (continued)

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

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

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted share capital and reserves of the latest published audited Balance sheet, which amounts to £5,116,000 (2016: £4,331,000) as at 31 March 2017.

The Company has no committed borrowing facilities as at 31 March 2017 (2016: £nil) and had cash balances of £15,121,000 (2016: £8,980,000), which are considered to be readily realisable within the timescales required to make cash available for investment. The main cash outflows are for new investments, share buy-backs and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. All the Company's financial liabilities are short term in nature and total £670,000 as at 31 March 2017 (2016: £361,000).

The carrying value of loan stock investments at 31 March 2017 as analysed by expected maturity dates is as follows:

Redemption date	**Fully performing £'000**	**Past due £'000**	**Impaired £'000**	**Total £'000**
Less than one year	**4,074**	**1,210**	**534**	**5,818**
1-2 years	**1,322**	**124**	**–**	**1,446**
2-3 years	**1,617**	**555**	**–**	**2,172**
3-5 years	**2,328**	**113**	**–**	**2,441**
Greater than 5 years	**4,104**	**–**	**–**	**4,104**
Total	**13,445**	**2,002**	**534**	**15,981**

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

The average annual interest yield on the total cost of past due loan stock is 8.5 per cent. (2016: 11.0 per cent.).

Impaired loan stock has a cost of £606,000 (2016: £667,000).

The carrying value of loan stock investments at 31 March 2016 as analysed by expected maturity dates was as follows:

Redemption date	Fully performing £'000	Past due £'000	Impaired £'000	Total £'000
Less than one year	3,419	921	553	4,893
1-2 years	706	174	–	880
2-3 years	1,587	–	–	1,587
3-5 years	3,613	645	15	4,273
Greater than 5 years	3,999	–	–	3,999
Total	13,324	1,740	568	15,632

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

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2017, 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.

Notes to the Financial Statements (continued)

18. Commitments and contingencies

There are no contingent liabilities or guarantees given by the Company as at 31 March 2017 (31 March 2016: nil).

19. Post balance sheet events

Since 31 March 2017 the Company has had the following post balance sheet events:

- Investment of £950,000 in MPP Global Solutions Limited;
- Investment of £273,000 in G.Network Communications Limited;
- Investment of £167,000 in Grapeshot Limited;
- Investment of £100,000 in Locum's Nest Limited;
- Investment of £100,000 in Panaseer Limited;
- Investment of £85,000 in Mirada Medical Limited; and
- Investment of £15,000 in Aridhia Informatics Limited.

The following new Ordinary shares of nominal value 1 penny each were allotted under the Albion VCTs Prospectus Top Up Offers 2016/2017 after 31 March 2017:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Issue price (pence per share)	Net consideration received £'000	Opening market price on allotment date (pence per share)
7 April 2017	15,240	–	99.40	15	95.00
7 April 2017	16,057	–	99.90	16	95.00
7 April 2017	263,313	3	100.50	256	95.00
	294,610	**3**		**287**	

20. Related party transactions

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Enterprise VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London, EC2N 1DS on 22 August 2017 at 12 noon for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 10, 12, and 13 will be proposed as ordinary resolutions and numbers 11, and 14 to 16 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 March 2017 together with the report of the Directors and Auditor.
2. To approve the Directors' remuneration policy for the year ended 31 March 2017.
3. To approve the Directors' remuneration report for the year ended 31 March 2017.
4. To re-elect Maxwell Packe as a Director of the Company.
5. To re-elect Lady Balfour of Burleigh as a Director of the Company.
6. To re-elect Lord St John of Bletso as a Director of the Company.
7. To re-elect Patrick Reeve as a Director of the Company.
8. To authorise the Directors to appoint an auditor of the Company following the completion of the selection process for the appointment of an external auditor.
9. To authorise the Directors to agree the Auditors' remuneration.

Special Business

10. **Continuation as a venture capital trust**
    To continue as a venture capital trust until the Annual General Meeting of the Company in 2027, subject to the passing of resolution number 11.
11. **Amendment of Article 136**
    That existing Article 136 in the Articles of Association of the Company be deleted and the following new Article 136 be inserted "At the Annual General Meeting of the Company in 2027 and, if the Company has not been wound-up or unitised or re-organised at each tenth Annual General Meeting of the Company thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue in being as a venture capital trust."
12. **Change in investment policy**
    That the Company's investment policy be clarified and amended by the insertion of the following paragraphs:

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

    Non-VCT qualifying investments
    Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with credit ratings, assigned by international credit agencies, of A or better (on acquisition) or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so).

    Investment in such open-ended equity funds will not exceed 10 per cent. of the Company's assets at the time of investment.

    Risk diversification and maximum exposures
    Risk is spread by investing in a number of different businesses within venture capital trust qualifying industry sectors using a mixture of securities. The tests set out above drive a spread of investment risk through disallowing holdings of more than 15 per cent. in one portfolio company and accordingly the maximum amount which the Company will invest in a single company is 15 per cent. of the Company's investments at cost. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of investments' suitability for

sale. It is possible that individual holdings may grow in value to a point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

Gearing

Albion Enterprise VCT's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not currently have any intention to utilise long term gearing.

13. **Authority to allot shares**

That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot Ordinary shares of nominal value 1 penny per share in the Company up to an aggregate nominal amount of £116,517 (which comprises approximately 20 per cent. of the Company's Ordinary shares) provided that this authority shall expire 18 months from the date that this resolution is passed, or, if earlier, the conclusion of the next Annual General Meeting of the Company, but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

14. **Authority for the disapplication of pre-emption rights**

That, subject to the authority and conditional on the passing of resolution number 13, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 13 and/or sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale.

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

This power shall expire 18 months from the date that this resolution is passed or, if earlier, the conclusion of the next Annual General Meeting of the Company, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

15. **Authority to purchase own shares**

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

(a) the maximum aggregate number of shares hereby authorised to be purchased is 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 which may be paid for a share shall be 1 penny (exclusive of expenses);

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

(d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire 18 months from the date that this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

Notice of Annual General Meeting (continued)

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

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

By order of the Board

Albion Capital Group LLP
Company Secretary

Registered office
1 King's Arms Yard
London, EC2R 7AF
13 July 2017

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

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 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 12 noon on 18 August 2017.

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

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

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 12 noon on 18 August 2017 (or, in the event of any adjournment, on the date which is two working days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 12 noon on 18 August 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

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

6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion.capital/funds/AAEV under the "Fund reports" section.

Notice of Annual General Meeting (continued)

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

8. Copies of contracts of service and letters of appointment between the Directors and the Company, together with the Register of Directors' Interests in the ordinary shares of the Company, will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the Articles of Association will be available for inspection at the Company's registered office from the date of the Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.

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

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

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

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

12. As at 11 July 2017 being the latest practicable date prior to the publication of this Notice, the Company's issued share capital consists of 58,259,384 Ordinary shares with a nominal value of 1 penny each. The Company also holds 6,429,443 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 11 July 2017 are 51,829,941.

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