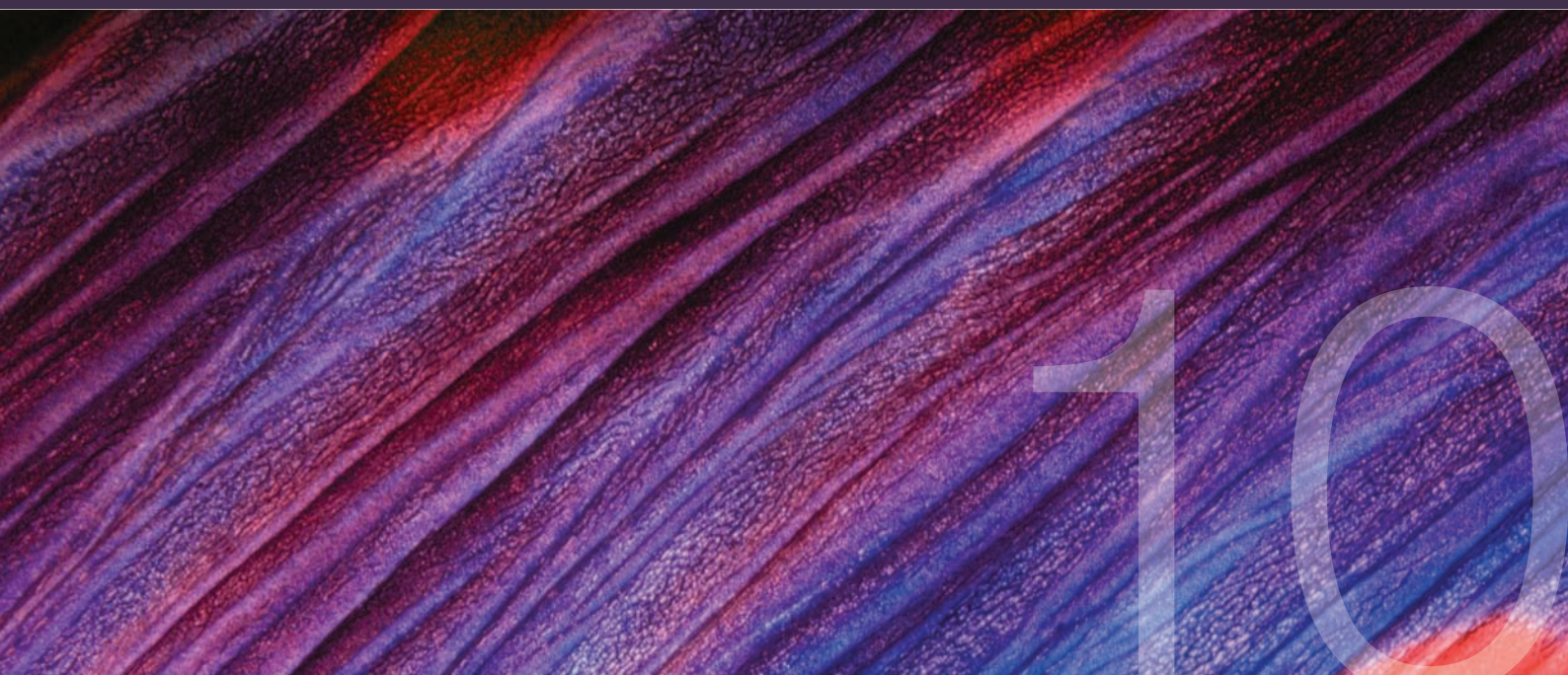


Annual Report and Financial  
Statements for the year  
ended 31 March 2010



# Albion Venture Capital Trust PLC

**ALBION** VENTURES

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# Company information

<b>Company number</b>	3142609
<b>Directors</b>	David Watkins MBA (Harvard), Chairman (US citizen) J M B L Kerr ACMA J G T Thornton MBA, FCA J Warren ACCA
<b>Company secretary and registered office</b>	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
<b>Manager</b>	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF Tel: 020 7601 1850 Fax: 020 7601 1875 Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>
<b>Registrars</b>	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0GA
<b>Auditors</b>	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
<b>Taxation adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RH
<b>Legal adviser</b>	Berwin Leighton Paisner Adelaide House London Bridge London, EC4R 9HA

Albion Venture Capital Trust PLC is a member of the Association of Investment Companies.

**Shareholder information** For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars Limited:  
Tel: 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am – 5.30pm, Mon – Fri)  
Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
Website: [www.capitaregistrars.com](http://www.capitaregistrars.com)

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

For enquiries relating to the performance of the Fund, please contact Albion Ventures LLP:  
Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm, Mon – Fri, call may be recorded)  
Email: [info@albion-ventures.co.uk](mailto:info@albion-ventures.co.uk)  
Website: [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk)

**IFA information** Independent Financial Advisors with questions please contact Albion Ventures LLP:  
Tel: 0207 601 1850 (calls may be recorded, lines are open 9.00am – 5.30pm, Mon – Fri)  
Email: [info@albion-ventures.co.uk](mailto:info@albion-ventures.co.uk)  
Website: [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk)

## Investment objectives

Albion Venture Capital Trust PLC (the “Company”) is a venture capital trust which raised a total of £39.7 million through an issue of Ordinary Shares in the spring of 1996 and through an issue of C Shares in the following year. The C Shares merged with the Ordinary Shares in 2001. The Company offers tax-paying investors substantial tax benefits at the time of investment, on payment of dividends and on the ultimate disposal of the investment. Its investment strategy is to minimise the risk to investors whilst maintaining an attractive yield. This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- Albion Venture Capital Trust PLC invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the investee company. Funds managed or advised by Albion Ventures LLP typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Albion Ventures LLP, investee companies do not normally have external borrowings; and
- a clear strategy for the realisation of each qualifying unquoted investment within five years or shortly thereafter is identified from the outset.

## Financial calendar

Record date for first dividend	28 May 2010
Annual General Meeting	21 June 2010
Payment of first dividend	25 June 2010
Announcement of half-yearly results for the six months ended 30 September 2010	November 2010
Payment of second dividend	January 2011

## Financial highlights

**191.4p**

Net asset value plus dividends since launch to 31 March 2010

**5.0p**

Tax free dividend per share paid in the year to 31 March 2010

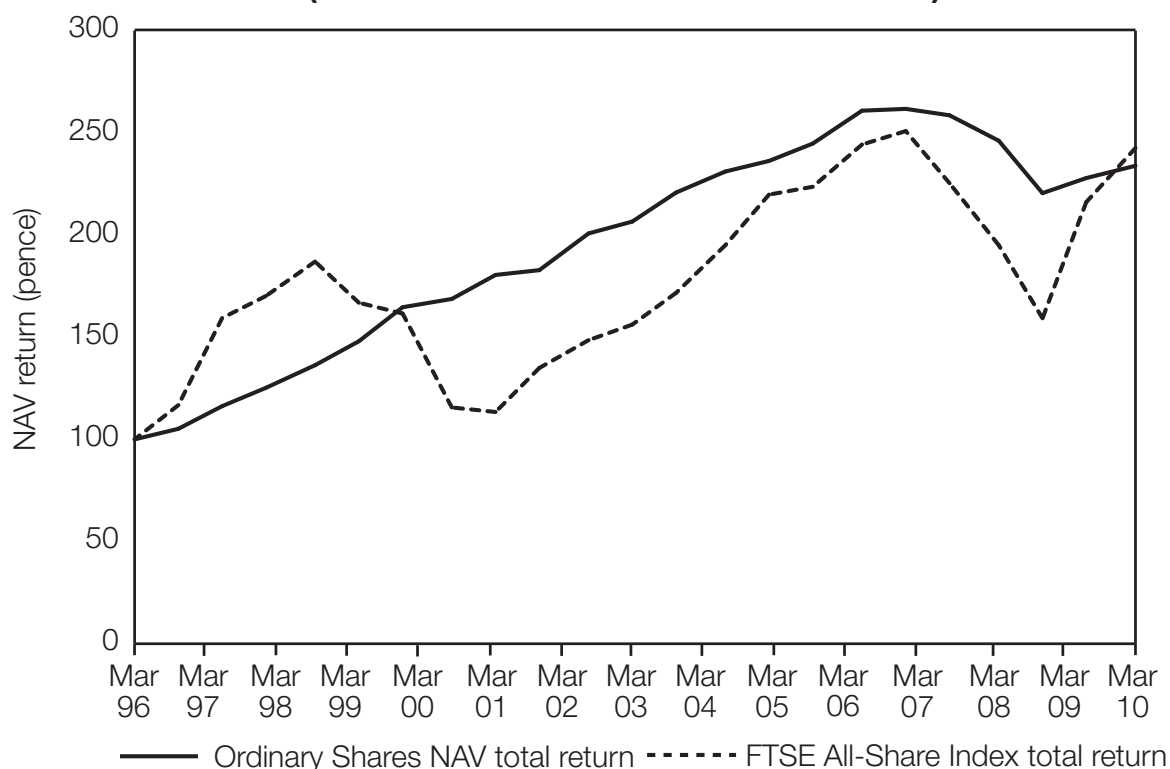
**81.6p**

Net asset value per share as at 31 March 2010

**2.5p**

First tax free dividend per share for the year to 31 March 2011

### Ordinary shares' Net Asset Value total return relative to the FTSE All-Share Index (in both cases with dividends reinvested)



Source: Albion Ventures LLP

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

## Financial highlights *(continued)*

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>(pence per share)</b>	<b>(pence per share)</b>
Dividends paid	<b>5.0</b>	10.0
Revenue return	<b>2.9</b>	3.3
Capital loss	<b>(1.7)</b>	(18.3)
Net asset value	<b>81.6</b>	85.3

<b>Total shareholder net asset value return to 31 March 2010</b>	<b>Ordinary shares</b>	<b>C shares</b>
Total dividends paid during the year ended: 31 March 1997	2.00	–
31 March 1998	5.20	2.00
31 March 1999	11.05	8.75
31 March 2000	3.00	2.70
31 March 2001	8.55	4.80
31 March 2002	7.60	7.60
31 March 2003	7.70	7.70
31 March 2004	8.20	8.20
31 March 2005	9.75	9.75
31 March 2006	11.75	11.75
31 March 2007	10.00	10.00
31 March 2008	10.00	10.00
31 March 2009	10.00	10.00
31 March 2010	5.00	5.00
	<hr/>	<hr/>
Total dividends paid to 31 March 2010	109.80	98.25
Net asset value as at 31 March 2010	81.60	81.60
	<hr/>	<hr/>
<b>Total shareholder net asset value return to 31 March 2010</b>	<b>191.40</b>	<b>179.85</b>

In addition to the dividends summarised above, the Board has declared a first dividend for the new financial year, of 2.5 pence per share (out of revenue profits) to be paid on 25 June 2010 to shareholders on the register as at 28 May 2010.

### Notes

- *Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.*
- *A capital dividend of 2.55 pence paid in the year to 31 March 2000 enabled the Ordinary shares and the C shares to merge on an equal basis.*
- *All dividends paid by the Company are 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 their 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.*

# Chairman's statement

## Introduction

The results for the year to 31 March 2010 show a welcome return to positive performance with a total return of 1.2 pence per share before dividends. This is a marked improvement on the interim stage and reflects not only the easing of the UK economy out of recession, but also the growing maturity of the investment portfolio.

## Investment performance and progress

The properties held by our portfolio companies are subject to independent third party professional valuations on an annual basis. Taken as a whole, these have remained steady over the past year. The cinemas in particular have had a good period, with an improvement in performance despite the recession. Our portfolio of hotels, meanwhile, continues to mature with improved performance from The Place Sandwich and a steady performance from The Crown Hotel Harrogate, though this was offset by the under-performance against previous years at the Holiday Inn Express at Stansted Airport, where air traffic is still some way below its peak. Nevertheless, our Stansted hotel remains strongly profitable and cash generative and current indications are that the decline in performance is now beginning to reverse. The Bear Hotel at Hungerford also experienced a more challenging year but recent profitability has been improving. Our hotel at Stanwell, between Heathrow's Terminals 4 and 5, has now opened.

Our portfolio of health and fitness clubs continues to show an encouraging growth in membership and an increase in profitability at its three core landmark sites of West Kensington, Weybridge and Tower Bridge. The exception to this is the River Bourne Health Club, which, as mentioned in the Half-yearly Financial Report, was placed into administration in October 2009, leading the Company to record a small capital loss.

After the reorganisation of some of the investments, our pub portfolio is now performing well and most are generating operating profits. This has been further helped by the investment in Geronimo Inns during the year and the resulting purchase of four landmark freehold pubs in Central London. This pub group is performing comfortably above expectations.

The portfolio of residential development companies continues to be wound down; the only company with units unsold is now G&K Smart Developments VCT Limited which owns three sites in Yorkshire. An additional provision against the holding value of this investment has been made. A number of the units have now been sold and we expect that the rest will be sold during the course of the next 12 months.

In addition to the investment in Geronimo Inns, the key new investment during the year was in the development of a psychiatric hospital in Taunton. The first stage was the purchase of an existing care home with planning permission for a substantial extension. While this continues the theme of healthcare investment which your Company has pursued since launch in 1996, we regard the psychiatric area as a new and interesting niche market.

## Risks and uncertainties

The outlook for the UK economy continues to be the key risk affecting your Company, although current indications are that the worst of the recession is now over. Importantly, your Company remains conservatively financed with no bank borrowings at either corporate or investee company level, in addition to the policy of ensuring that the Company has a first charge over investee companies' assets. Meanwhile, opportunities within our target sectors continue to arise at attractive valuations, including the healthcare sector which will revert to being one of our core areas of concentration going forwards.

## 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 existing and new investee companies and the continued payment of dividends to shareholders. In order to balance these different requirements, your Board has restricted the Company's buy-back policy so as to limit the cash available for share buy-backs. Accordingly, the Company will now limit the sum available for share buy-backs for the six month period to 30 September 2010 to £200,000. This compares to a total value bought in for the previous six months of £139,000. If this limit is reached, the Board will review its policy in the light of cash available for new investments and for dividends to existing shareholders.

For the majority of the Company's life, its shares have traded at a discount of around 10 per cent. or less to net asset value. In the more recent past, the financial upheavals surrounding the credit crunch have caused this discount to considerably widen. The apparent improving economic climate today may lead to reduced selling pressure and increasing net asset values, which, together with the company's buyback programme, could lead to an improvement in the discount at which the shares trade.

## Cap on Total Expense Ratio ("TER")

In line with market practice, the Board has agreed with the Manager that the ratio of total expenses (excluding corporation tax, any management performance incentive and



## Chairman's statement (continued)

exceptional costs) will be limited to 3.5 per cent. of net assets, with any excess being borne by the Manager through a deduction from its management fee. For the year to 31 March 2010, the TER was 2.7 per cent. which is at the lower end of the Venture Capital Trust industry.

### Results and dividends

As at 31 March 2010, the net asset value was £28.4 million or 81.6 pence per share, compared to £29.9 million or 85.3 pence per share as at 31 March 2009. The revenue return before taxation was £1.0 million compared to £1.5 million for the year to 31 March 2009. The Company will pay a first dividend of 2.5 pence per share on 25 June 2010 to those shareholders on the share register on 28 May 2010 which is in line with the Company's current objective of paying dividends of 5 pence per share annually.

### Supporting enterprise and growth

Recent research undertaken by the Association of Investment Companies has demonstrated that VCT investment provides substantial benefits for UK small businesses and the economy in at least three ways: first, by creating jobs; second, by providing additional management skill to support growing businesses; and finally, by being cost-effective, in that the cost to the public purse is more than offset by the increased tax returns generated by growing VCT-backed companies. In common with other VCTs, we would urge the new Government to continue to encourage VCTs as one of the best ways to support enterprise and future economic growth.

### Change of Director

In line with the FSA rules on the independence of Directors which come into force as regards VCTs in September 2010, Jonathan Thornton will be retiring from the Board in September 2010. Jonathan, who has spent much of his career in private equity and was a main board director of Close Brothers Group plc, has been a Director of the Company since its inception in 1996 and I have greatly valued his wise counsel over the years.

I am pleased to welcome in his place Jonathan Rounce who we will propose for election at the Annual General Meeting. Jonathan is a chartered accountant and has considerable experience in the leisure industry, including running the Coopers & Lybrand tourism and leisure consultancy practice and being managing director of the leisure development interests of Arlington Securities Plc. He also acted as vice chairman of the West Middlesex University Hospital Trust for seven years. Further details are set out on page 9.

### Outlook and prospects

Most of our portfolio companies are currently trading encouragingly and whilst we have some concerns as to the effect on the UK economy of the next Budget, the increasing maturity and cash generative nature of the majority of our portfolio companies leads us generally to view their future trading prospects with cautious optimism. We believe it is likely to be some time, however, before availability of bank finance allows potential purchasers to be in a position to acquire investee companies at prices which we would find attractive. In the meantime the Manager is assessing a number of interesting investment opportunities, particularly in the healthcare and environmental sectors.

### David Watkins

Chairman

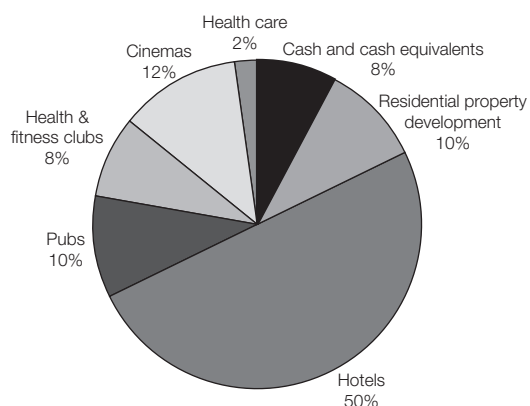
20 May 2010



# Manager's report

## Share portfolio

The sector split of the portfolio by valuation as at 31 March 2010 is shown below:



Source: Albion Ventures LLP

## Investment portfolio

The investment portfolio has weathered the recession in reasonable shape. Although the income generated for the year to 31 March 2010 was approximately 24.5 per cent. below the level seen in the previous twelve months, much of this was due to the very low market interest rates from cash held on deposit, as well as lower returns on loan stock investments. Income from the underlying investments is now on the increase. The Company's income for the six months to 31 March 2010 was some 24.3 per cent. higher than for the six months to 31 March 2009. Income from the health and fitness club investments is increasing as the membership levels continue to rise, while the hotel portfolio, particularly the older hotels which have been subject to extensive refurbishment, has also been able to generate a higher level of income for the Company. Looking forwards, the opening of Stanwell Hotel next to Heathrow Airport should lead to a further increase in income for the new financial year, while the reorganisation of the pub portfolio has also resulted in an enhanced level of income.

## Investment activity

The key new investment in the year has been £540,000 into the two Geronimo Pub companies where, as mentioned in the Chairman's statement, performance has been particularly strong. In addition, a total of £449,000 has now been invested in the Taunton Hospital project, which will be developed into a unit catering for long stay psychiatric patients. We have also exchanged on the site for a new specialist nursing home in North London, though this is still subject to planning. In general, we anticipate that the healthcare sector will revert to being a core area for investment. Other areas under review include a number of potential investments in the waste to energy and biofuel sectors, where property forms a large part of the asset and

provides backing to long-term supply contracts. A previously scheduled investment of £1.2 million was also made in The Stanwell Hotel Limited, £167,000 was invested in four of our cinema companies to fund the roll out of digital equipment and a further £115,000 was invested into Bravo Inns II Limited.

A variety of companies have repaid loan stock and equity during the year including £1,090,000 from residential development companies, £297,000 from our cinemas, £211,000 from our hotels and £96,000 from our pub companies.

## Albion Ventures LLP

Manager

20 May 2010

# The Board of Directors

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

## **David Watkins (65) MBA (Harvard), Chairman**

From 1972 until 1991, David Watkins worked for Goldman Sachs, where he was head of Euromarkets Syndication and Head of European Real Estate. He subsequently joined Mountleigh Group PLC where he worked as a director on the restructuring of the business prior to the Group being placed into administration. Until late 1995, he worked at Baring Securities Limited as Head of Equity Capital Markets – London, before leaving ultimately to become Chief Financial Officer and one of the principal shareholders of his current company, The Distinguished Programs Group LLC, an insurance distribution and underwriting group. From 1986 to 1990 he was a member of the Council of the London Stock Exchange. He is currently a non-executive director of Albion Income & Growth VCT PLC, which is also managed by Albion Ventures LLP, and is a director of a number of private UK companies. David Watkins became a Director of the Company on 9 February 1996.

## **John Kerr (67) ACMA**

John Kerr has worked as a venture capitalist and also in manufacturing and service industries. He held a number of finance and general management posts in the UK and USA, before joining SUMIT Equity Ventures, an independent Midlands based venture capital company, where he was managing director from 1985 to 1992. He then became chief executive of Price & Pierce Limited, which acted as the UK agent for overseas producers of forestry products, before leaving in 1997 to become finance director of Ambion Brick, a building materials company bought out from Ibstock PLC. After retiring in 2002, he now works as a consultant. He is a non-executive director of Albion Income & Growth VCT PLC, which is also managed by Albion Ventures LLP, and he is also an external member of the Albion Ventures LLP investment committee. John Kerr became a Director of the Company on 9 February 1996.

## **Jonathan Thornton (63) MBA, FCA**

Jonathan Thornton retired as a director of Close Brothers Group plc in 1998. In 1984 he was responsible for establishing Close Brothers Private Equity. Prior to this he worked for both 3i plc and Cinven. He is a non-executive director of Albion Development VCT PLC which is also managed by Albion Ventures LLP. He is also an external member of the Albion Ventures LLP investment committee. Jonathan Thornton became a Director of the Company on 9 February 1996 and will retire in September 2010.

## **Jeff Warren (62) ACCA**

Jeff Warren has 30 years' financial management experience, including high level corporate governance and regulatory environment experience. He held the post of CFO of Bristol and West Building Society from 1992. Following the acquisition of Bristol and West by Bank of Ireland, he was appointed CEO of Bristol and West PLC in 1999, and subsequently also took responsibility for the Bank of Ireland UK Branch network. In 2003 he moved to take on a role at Group level in Dublin, as Group Chief Development Officer, reporting to the Bank of Ireland CEO. In 2004 he returned to the UK to develop a career as a non-executive director. Jeff Warren became a Director of the Company on 2 October 2007.

## **The Board proposes Jonathan Rounce for appointment at the Annual General Meeting**

### **Jonathan Rounce (60) FCA, FIH**

Building on formal qualification as both an hotelier and a chartered accountant, Jonathan Rounce's 30-year career has spanned property development, management consultancy, finance and operations. As a management consultant he established and ran the Coopers & Lybrand (now PricewaterhouseCoopers) tourism and leisure consultancy practice between 1977 and 1988. From 1983 to 1985 he was development director of Penta Hotels NV. While managing director of the leisure development interests of Arlington Securities Plc from 1988 to 1991, he was responsible for the pioneering Port Solent marina complex in Portsmouth and the development of the 27-hole Wisley golf course complex in Surrey. Between 1992 and 1999 he served as Vice Chairman of the West Middlesex University Hospital Trust where he also established and chaired the audit committee. That non-executive role was held in parallel with his executive directorship of Grant Leisure Group, a leisure industry consultancy. In 2000 he launched and now runs Petersham Group, a specialist leisure and hospitality consultancy.

# The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Services Authority and is the Manager of Albion Venture Capital Trust PLC. In addition to Albion Venture Capital Trust PLC, it manages a further six venture capital trusts, and has currently total funds under management of approximately £200 million. Albion was awarded “VCT Manager of the Year” at the “Unquote” British Private Equity Awards 2009 and “VCT of the Year” for Albion Development VCT PLC at the 2009 Investor AllStar Awards.

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

**Patrick Reeve, (50), MA, ACA**, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Ventures’ activities with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. Patrick became managing partner of Albion Ventures in 2009. He read modern languages at Oxford University.

**Will Fraser-Allen, (39), BA (Hons), ACA**, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 and then joined their Corporate Finance Team providing corporate finance advice to small and medium sized businesses. He joined Albion Ventures (then Close Ventures) in 2001 since when he has focused on leisure and healthcare investing. Will became deputy managing partner of Albion Ventures in 2009.

**Isabel Dolan (45), BSc (Hons), ACA, MBA**, qualified as a chartered accountant with Moore Stephens. From 1993 to 1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997-2001 she was at 3i plc, latterly as a Portfolio Director. She joined Albion Ventures (then Close Ventures Limited) in 2005, having previously been Finance Director for a number of unquoted companies. Isabel became Operations Partner at Albion Ventures in 2009. She has a BSc in Biochemistry with Pharmacology from Southampton University and an MBA from London Business School.

**Dr Andrew Elder (39), MA, FRCS**, joined Albion Ventures in 2005 and became a partner in 2009. He initially practiced as a surgeon for six years, specialising in neurosurgery, before joining the Boston Consulting Group (BCG) as a consultant in 2001. Whilst at BCG he specialised in healthcare strategy, gaining experience with many large, global clients across the full spectrum of healthcare including biotechnology, pharmaceuticals, service and care providers, software and telecommunications. He has an MA plus Bachelors of Medicine and Surgery from Cambridge University and is a Fellow of the Royal College of Surgeons (England).

**Emil Gigov (40), BA (Hons), ACA**, graduated from the European Business School, London, with a BA (Hons) Degree in European Business Administration in 1994. He then joined KPMG in their financial services division and qualified as a Chartered Accountant in 1997. Following this he transferred to KPMG Corporate Finance where he

specialised in the leisure, media and marketing services sectors acting on acquisitions, disposals and fundraising mandates. He joined Close Ventures the predecessor to Albion Ventures, in 2000 and has since made and exited investments in a number of industry sectors, including healthcare, education, technology, leisure and engineering. Emil became a partner in Albion Ventures in 2009.

**David Gudgin (38), BSc (Hons), ACMA**, qualified as a management accountant with ICL before spending 3 years at the BBC. In 1999 he joined 3i 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 Close Ventures in 2005 and became a partner in Albion Ventures in 2009. David has a BSc in Economics from Warwick University.

**Michael Kaplan (33), BA, MBA**. Prior to joining Close Ventures in 2007, Michael was a Project Leader with the Boston Consulting Group (BCG) where he focused on the retail and financial services sectors. More recently, Michael was part of BCG’s growing Private Equity practice – which provides strategic due diligence to some of the world’s biggest PE funds. Prior to his time with BCG, Michael was the Chief Financial Officer for Widevine Technologies, a security software company based in Seattle. Michael has a BA from the University of Washington and an MBA from INSEAD. He became a partner in Albion Ventures in 2010.

**Ed Lascelles (34), BA (Hons)**, joined Close Ventures in 2004. He previously worked for ING Barings in the corporate finance department, focusing on smaller UK companies. Prior to ING Barings, Ed worked in the corporate broking department of Charterhouse Securities where he assisted in equity fundraisings and other corporate transactions for quoted UK companies. Ed graduated from UCL with a first class degree in Philosophy. He became a partner in Albion Ventures in 2009.

**Henry Stanford (45), 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 Close Ventures in 1998. Henry became a partner in Albion Ventures in 2009. He holds an MA degree in Classics from Oxford University.

**Robert Whitby-Smith (35), BA (Hons), MSI, ACA**. After graduating in History at Reading University, Robert qualified as a chartered accountant at KPMG and subsequently worked in corporate finance at Credit Suisse First Boston and ING Barings. Since joining in 2005, Robert has assisted in the workout of three VCT portfolios (Murray VCT PLC, Murray VCT 2 PLC and Murray VCT 3 PLC now renamed Crown Place VCT PLC), formerly managed by Aberdeen Murray Johnson, and is responsible for investments in the leisure, manufacturing and technology sectors. Robert became a partner in Albion Ventures in 2009.

**Marco Yu (32), MPhil, MA, MRICS**, spent two and a half years at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. He joined Close Ventures in 2007 and became an investment manager in Albion Ventures in 2009. Marco graduated from Cambridge University with a first class degree in Economics and is a Chartered Surveyor.

# Portfolio of investments

The following list is a summary of investments as at 31 March 2010:

Qualifying Investments	% voting rights	% voting rights of AVL* managed companies	As at 31 March 2010			As at 31 March 2009			Change in value for the year £'000**
			Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	
<b>Hotels</b>									
Kew Green VCT (Stansted) Limited	28.2	50.0	4,609	1,846	6,455	4,820	2,219	7,039	(373)
The Stanwell Hotel Limited	23.8	50.0	3,000	(528)	2,472	2,000	(609)	1,391	80
The Crown Hotel Harrogate Limited	15.6	50.0	3,100	(901)	2,199	3,100	(963)	2,137	61
The Bear Hungerford Limited	26.1	50.0	2,088	(667)	1,421	2,088	(563)	1,525	(104)
The Place Sandwich VCT Limited	25.0	50.0	1,464	(402)	1,062	1,465	(446)	1,019	44
<b>Total investment in the hotel sector</b>			<b>14,261</b>	<b>(652)</b>	<b>13,609</b>	<b>13,473</b>	<b>(362)</b>	<b>13,111</b>	<b>(292)</b>
<b>Pubs</b>									
The Charnwood Pub Company Limited	8.8	50.0	3,086	(1,656)	1,430	2,994	(1,435)	1,559	(129)
Bravo Inns II Limited	5.1	50.0	505	(21)	484	390	(24)	366	2
Geronimo Inns I VCT Limited	3.4	50.0	270	39	309	-	-	-	-
Geronimo Inns II VCT Limited	3.4	50.0	270	39	309	-	-	-	-
Bravo Inns Limited	4.7	50.0	450	(210)	240	450	(210)	240	-
GB Pub Company VCT Limited	5.9	50.0	237	(151)	86	264	(147)	117	(4)
The Dunedin Pub Company VCT Limited	4.3	50.0	153	(100)	53	220	(94)	126	(6)
<b>Total investment in the pub sector</b>			<b>4,971</b>	<b>(2,060)</b>	<b>2,911</b>	<b>4,318</b>	<b>(1,910)</b>	<b>2,408</b>	<b>(137)</b>
<b>Cinemas and other leisure</b>									
City Screen (Cambridge) Limited	50.0	50.0	960	695	1,655	1,210	429	1,639	266
CS (Greenwich) Limited	18.3	50.0	1,071	(43)	1,028	1,005	(180)	825	137
CS (Brixton) Limited	6.4	50.0	274	75	349	250	49	299	26
City Screen (Liverpool) Limited	18.2	50.0	222	(37)	185	200	1	201	(37)
Premier Leisure (Suffolk) Limited	5.2	50.0	380	(282)	98	380	(235)	145	(48)
CS (Exeter) Limited	6.6	50.0	108	(10)	98	100	-	100	(10)
CS (Norwich) Limited	3.1	50.0	50	(7)	43	50	(14)	36	7
<b>Total investment in the cinema and other leisure sector</b>			<b>3,065</b>	<b>391</b>	<b>3,456</b>	<b>3,195</b>	<b>50</b>	<b>3,245</b>	<b>341</b>
<b>Health and fitness clubs</b>									
The Weybridge Club Limited	8.2	50.0	1,330	(136)	1,194	1,330	(146)	1,184	10
Kensington Health Clubs Limited	4.9	50.0	1,124	(455)	669	1,124	(451)	673	(3)
Tower Bridge Health Clubs Limited	5.5	50.0	344	8	352	344	(60)	284	68
River Bourne Health Club Limited	3.5	50.0	3	-	3	70	(57)	13	57
<b>Total investment in the health and fitness club sector</b>			<b>2,801</b>	<b>(583)</b>	<b>2,218</b>	<b>2,868</b>	<b>(714)</b>	<b>2,154</b>	<b>132</b>
<b>Residential property development</b>									
G&K Smart Developments VCT Limited	42.9	50.0	3,000	(1,114)	1,886	3,000	(686)	2,314	(428)
Chase Midland VCT Limited	38.1	50.0	720	(34)	686	719	(51)	668	19
Prime VCT Limited	50.0	50.0	990	(630)	360	1,540	(640)	900	10
<b>Total investment in the residential property development sector</b>			<b>4,710</b>	<b>(1,778)</b>	<b>2,932</b>	<b>5,259</b>	<b>(1,377)</b>	<b>3,882</b>	<b>(399)</b>
<b>Healthcare sector</b>									
Taunton Nursing Homes Limited	6.0	50.0	380	-	380	313	-	313	-
Orchard Portman Hospital Limited	2.0	50.0	69	-	69	-	-	-	-
<b>Total healthcare sector</b>			<b>449</b>	<b>-</b>	<b>449</b>	<b>313</b>	<b>-</b>	<b>313</b>	<b>-</b>
<b>Total qualifying investments</b>			<b>30,257</b>	<b>(4,682)</b>	<b>25,575</b>	<b>29,426</b>	<b>(4,313)</b>	<b>25,113</b>	<b>(355)</b>

\* Albion Ventures LLP

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

## Portfolio of investments (continued)

			As at 31 March 2010			As at 31 March 2009			Change in value for the year £'000**
			Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	
<b>Non-qualifying Investments</b>	% voting rights	% voting rights of AVL* managed companies							
<b>Hotels</b>									
The Place Sandwich VCT Limited	–	–	176	263	439	176	186	362	77
The Stanwell Hotel Limited	–	–	200	–	200	–	–	–	–
<b>Total investment in the hotel sector</b>			<b>376</b>	<b>263</b>	<b>639</b>	<b>176</b>	<b>186</b>	<b>362</b>	<b>77</b>
<b>Total non-qualifying investments</b>			<b>376</b>	<b>263</b>	<b>639</b>	<b>176</b>	<b>186</b>	<b>362</b>	<b>77</b>
<b>Total fixed asset investments</b>			<b>30,633</b>	<b>(4,419)</b>	<b>26,214</b>	<b>29,602</b>	<b>(4,127)</b>	<b>25,475</b>	<b>(278)</b>

\* Albion Ventures LLP

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

## Portfolio companies

The top ten qualifying investments by total aggregate value of equity and loan stock are as follows:

### Kew Green VCT (Stansted) Limited



The company developed and operates a limited service hotel under the "Holiday Inn Express" brand at Stansted Airport on a 125 year lease. The hotel opened in January 2005 with 183 bedrooms. A 71 bedroom extension opened in July 2007, taking the hotel to 254 bedrooms.

	<b>Audited results: year to 31 August 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	4,686	Income recognised in the year	364
Profit before interest	740	Total cost	4,609
Net assets	3,480	Total valuation	6,455
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	28.2 per cent.
Website:	<a href="http://www.expressstanstedairport.co.uk">www.expressstanstedairport.co.uk</a>		

Funds managed and advised by Albion Ventures LLP have invested £8,650,000 into the company and the current total valuation is £11,778,150. Their combined equity holding in the company is 50.0 per cent.

### The Stanwell Hotel Limited



The company acquired the 19 bedroom Stanwell Hall Hotel near Heathrow in August 2007. Planning consent was subsequently obtained to extend the hotel to 54 bedrooms and the hotel re-opened at the end of April 2010.

	<b>Audited results: year to 31 August 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	18	Income recognised in the year	-
Loss before interest	(117)	Total cost	3,200
Net assets	571	Total valuation	2,672
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	23.8 per cent.
Website:	<a href="http://www.thestanwellhotel.com">www.thestanwellhotel.com</a>		

Funds managed and advised by Albion Ventures LLP have invested £6,500,000 into the company and the current total valuation is £5,426,000. Their combined equity holding in the company is 50.0 per cent.

### The Crown Hotel Harrogate Limited



The company acquired the historic 112 bedroom Crown Hotel in Harrogate, Yorkshire in November 2005. A refurbishment has been carried out and the hotel is once again recognized as one of the leading hotels in Harrogate.

	<b>Audited results: year to 31 March 2009</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	2,534	Income recognised in the year	127
Loss before interest	(73)	Total cost	3,100
Net assets	7,174	Total valuation	2,199
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	15.6 per cent.
Website:	<a href="http://www.crownhotelharrogate.com">www.crownhotelharrogate.com</a>		

Funds managed and advised by Albion Ventures LLP have invested £9,500,000 into the company and the current total valuation is £6,630,000. Their combined equity holding in the company is 50.0 per cent.

### G&K Smart Developments VCT Limited

This company is a residential property development company which was formed in 1996. It has undertaken a series of successful residential developments in the North of England and is currently undertaking a development of 10 houses and 6 apartments near Bradford and a development of 9 houses to the south of Leeds.

	<b>Audited results: year to 31 December 2008</b>	<b>Investment information</b>	<b>£'000</b>
	<b>£'000</b>		
Turnover	148	Income recognised in the year	-
Loss before interest	(405)	Total cost	3,000
Net assets	871	Total valuation	1,886
Basis of valuation:	Cost less provision	Voting rights	42.9 per cent.

Funds managed and advised by Albion Ventures LLP have invested £3,500,000 into the company and the current total valuation is £2,200,000. Their combined equity holding in the company is 50.0 per cent.



## Portfolio companies (continued)

### City Screen (Cambridge) Limited

The company was formed to develop and operate a three screen "art house" cinema in the centre of Cambridge on a 34 year lease. The cinema opened in August 1999 and continues to perform strongly in a competitive market.



**Audited results: year to 31 December 2009**

	£'000	<b>Investment information</b>	£'000
Turnover	1,704	Income recognised in the year	88
Profit before interest	357	Total cost	960
Net assets	1,588	Total valuation	1,655
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	50.0 per cent.
Website:	www.picturehouses.co.uk		

No other funds managed and advised by Albion Ventures LLP invested in the company.

### The Place Sandwich VCT Limited

The company acquired the 34-bedroom Bell Hotel at Sandwich in Kent in January 2005, following which a substantial refurbishment programme has been undertaken. Three additional bedrooms have recently been created, taking the total number of bedrooms to 37.



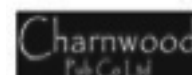
**Audited results: year to 30 June 2009**

	£'000	<b>Investment information</b>	£'000
Turnover	1,261	Income recognised in the year	124
Loss before interest	(13)	Total cost	1,640
Net assets	2,192	Total valuation	1,501
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	25.0 per cent.
Website:	www.bellhotelsandwich.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £3,100,000 in the company and the current total valuation is £2,796,000. Their combined equity holding in the company is 50.0 per cent.

### The Charnwood Pub Company Limited

The company is a pub company which owns and operates 11 freehold public houses in central England. The pubs are seeing improving trading due to benefits of a refurbishment programme and strong operational management.



**Audited results: year to 31 October 2008\***

	£'000	<b>Investment information</b>	£'000
Turnover	563	Income recognised in the year	79
Profit before interest	28	Total cost	3,086
Net liabilities	(6)	Total valuation	1,430
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	8.8 per cent.
Website:	www.charnwoodpubco.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £15,072,000 into the company and the current total valuation is £8,157,000. Their combined equity holding in the company is 50.0 per cent.

\* The audited results relate to the two initially acquired sites. The company has subsequently acquired more sites.

### The Bear Hungerford Limited

The company acquired the historic 41 bedroom Bear Hotel in Hungerford in 2005 and a refurbishment programme has taken place. The hotel is becoming increasingly well known for the quality of its food.



**Audited results: year to 31 March 2009**

	£'000	<b>Investment information</b>	£'000
Turnover	1,478	Income recognised in the year	77
Profit before interest	150	Total cost	2,088
Net liabilities	(1,037)	Total valuation	1,421
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	26.1 per cent.
Website:	www.thebearhotelhungerford.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £3,950,000 into the company and the current total valuation is £2,663,000. Their combined equity holding in the company is 50.0 per cent.



## Portfolio companies (continued)

### The Weybridge Club Limited

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



<b>Audited results: year to 31 August 2009</b>		<b>Investment information</b>	<b>£'000</b>
Turnover	1,612	Income recognised in the year	52
Profit before interest	50	Total cost	1,330
Net liabilities	(286)	Total valuation	1,194
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	8.2 per cent.
Website:	www.theweybridgeclub.com		

Funds managed and advised by Albion Ventures LLP have invested £8,334,000 into the company and the current total valuation is £7,395,000. Their combined equity holding in the company is 50.0 per cent.

### CS (Greenwich) Limited

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



<b>Audited results: year to 31 December 2009</b>		<b>Investment information</b>	<b>£'000</b>
Turnover	2,172	Income recognised in the year	106
Profit before interest	700	Total cost	1,071
Net assets	616	Total valuation	1,028
Basis of valuation:	Net asset value supported by third party valuation of leasehold property	Voting rights	18.3 per cent.
Website:	www.picturehouses.co.uk		

Funds managed and advised by Albion Ventures LLP have invested £2,895,000 into the company and the current total valuation is £2,771,000. Their combined equity holding in the company is 50.0 per cent.

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

# Directors' report and enhanced business review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Venture Capital Trust PLC (the "Company") for the year ended 31 March 2010.

## BUSINESS REVIEW

### Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ("HMRC") as a venture capital trust in accordance with Part 6 of the Income Tax Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 March 2010 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

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

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

### Capital structure

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

The Company's share capital comprises Ordinary shares only. 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 shares rank *pari passu* for dividend and voting rights and each share is entitled to one vote. The Directors are not aware of any restrictions on the transfer of shares or on voting rights.

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) under the 'Our Funds' section. During the year the Company issued 95,397 new Ordinary shares under the Dividend Reinvestment Scheme, details of which can be found in note 16.

### Substantial interests and shareholder profile

As at 31 March 2010 and at the date of this report, the Company was aware that J M Finn Nominees had a beneficial interest of 7.5 per cent. of the issued share capital. There have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 March 2010, and to the date of this report.

The table below shows the shareholder profile as at 20 May 2010 for the Company's Ordinary shares:

Number of shares held	% shareholders	% share capital
1 – 10,000	57.0	14.7
10,001 – 50,000	36.2	40.3
50,001 – 100,000	4.9	17.6
100,001 – 500,000	1.7	14.2
500,001 – 1,000,000	0.2	13.2

### Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth, through allowing investors the opportunity to participate in a balanced portfolio of asset-backed businesses. The Company's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term.

This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- Albion Venture Capital Trust PLC invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the investee company. Funds managed or advised by Albion Ventures LLP typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Albion Ventures LLP, investee companies do not normally have external borrowings; and
- a clear strategy for the realisation of each qualifying unquoted investment within five years or shortly thereafter is identified from the outset.

# Directors' report and enhanced business review (continued)

## Venture Capital Trust status

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

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the 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';
- (4) At no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by HMRC value of its investments;
- (5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;
- (6) Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one investee company; and
- (7) The Company's shares, throughout the year, must have been listed in the Official List of the Stock Exchange.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any investee company. The tests have been carried out and independently reviewed for the year ended 31 March 2010. The Company has complied with all tests and continues to do so.

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

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

## Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 March 2010, the Company's maximum permitted exposure was £2,840,000 (2009: £2,987,000) and its actual short term and long term gearing at this date was £nil (2009: £nil). The Directors do not currently have any intention to utilise long term gearing.

## Current portfolio sector allocation

The pie chart on page 8 of the Manager's report shows the split of the portfolio valuation by industrial or commercial sector as at 31 March 2010. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 11 and 12.

## Review of business and future changes

A detailed review of the Company's business during the year and future prospects is contained in the Chairman's statement on page 6 and Manager's report on page 8. Details of significant events which have occurred since the end of the financial year are listed in note 21. Details of related party transactions are shown in note 22.

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

## Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Services Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 20.

# Directors' report and enhanced business review (continued)

## Results and dividends

The results for the year ended 31 March 2010 are as follows:

	<b>£'000</b>
Net revenue return for the year ended 31 March 2010	1,003
Revenue dividend of 2.5 pence per share paid 31 July 2009	(876)
<b>Transferred to revenue reserve</b>	<b>127</b>
Net capital loss for the year ended 31 March 2010	(578)
Capital dividend of 2.5 pence per share paid 6 January 2010	(874)
<b>Transferred to realised and unrealised reserves</b>	<b>(1,452)</b>
Net assets as at 31 March 2010	28,400
Net asset value per share as at 31 March 2010 (pence)	81.6

The Company paid dividends of 5.0 pence per share (2009: 10.0 pence per share) during the year ended 31 March 2010.

As described in the Chairman's statement, the Board has declared a first dividend of 2.5 pence per share (to be paid out of revenue profits). This dividend will be paid on 25 June 2010 to shareholders on the register as at 28 May 2010.

As shown in the Income statement on page 31 of the Financial Statements, the investment income has decreased to £1,330,000 (2009: £1,761,000) due to lower interest paid on cash deposits and floating rate notes as a result of low base and LIBOR rates during the latter half of the year. In addition, loan stock income has decreased due to lower returns on loan stock investments as some leisure investments take longer than expected to reach maturity. The revenue return to equity holders has decreased to £1,003,000 (2009: £1,180,000) or 2.9 pence per share (2009: 3.3 pence per share), largely due to the fall in income offset partially by the increased amount of consortium tax relief recoverable during the year.

The capital loss for the year was £578,000 (2009: loss of £6,490,000), primarily as a result of the capitalisation of management fees net of taxation, and unrealised losses on investments offset by a small recovery of capitalised historic VAT.

The total return per share was 1.2 pence per share (2009: loss of 15.0 pence per share).

The Balance sheet on page 32 shows that the net asset value per share has decreased over the last year to 81.6 pence per share (2009: 85.3 pence per share), primarily reflecting the payment of 5.0 pence per share dividends during the year and the profit for the year.

The cash flow for the business has been net outflow of £395,000 for the year (2009: outflow £2,911,000), reflecting operating cash inflows of £710,000, fixed and current asset disposals of £3.2m, offset by taxation, dividends paid, new fixed asset investments and the purchase of shares for treasury.

## Share buy-backs

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

## Key Performance Indicators

The Directors believe that the following Key Performance Indicators are the most important for the business.

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

The total expense ratio including the refund of historic VAT on management and performance fees for the year to 31 March 2010 was 2.7 per cent. (2009: 0.9 per cent.). Excluding the VAT refund for management and performance fees the total expense ratio for the year to 31 March 2010 was 2.8 per cent. (2009: 3.3 per cent.).

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

## Principal risks and uncertainties

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

### 1. *Investment risk*

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

## Directors' report and enhanced business review (continued)

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

### 2. *Venture Capital Trust approval risk*

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

To reduce this risk, the Board has appointed the Manager, who has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed PricewaterhouseCoopers LLP as its taxation advisors. PricewaterhouseCoopers LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

### 3. *Compliance risk*

The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.

Board members and the Manager have experience of operating at senior levels within quoted businesses. In addition, the Board and the Manager receive regular

updates on new regulation from its auditors, lawyers and other professional bodies.

### 4. *Internal control risk*

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

The Audit Committee meets with the Manager's internal auditors Littlejohn LLP at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. During the year the Board met with the Partner at Littlejohn LLP internal audit to discuss the most recent Internal Audit Report completed on the Manager. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 26.

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

### 5. *Reliance upon third parties risk*

The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions. There are provisions within the management agreement for the change of Manager under certain circumstances (for more detail, see the management agreement paragraph on page 20). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.

### 6. *Financial risks*

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

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

# Directors' report and enhanced business review (continued)

## Environment

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

## Employees

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

## Directors

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

	31 March 2010	31 March 2009
D J Watkins	10,000	10,000
J M B L Kerr	13,109	13,109
J G T Thornton	88,301	65,454
J Warren	20,000	10,000

There have been no changes in the holdings of the Directors between 31 March 2010 and the date of this Report.

No Director has a service contract with the Company.

All Directors are members of the Audit Committee, of which Mr Kerr is Chairman.

No options over the share capital, long term incentive or retirement benefits of the Company have been granted to Directors personally, nor does the Company make a contribution to any pension scheme on behalf of the Directors. Further details regarding the Directors' remuneration are shown on page 28.

## Directors' indemnity

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

## Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance. At the forthcoming Annual General Meeting, David Watkins, Jonathan Thornton and John Kerr, having served as Directors for longer than nine years, will both retire and offer themselves for re-election. Additionally the Board recommends Jonathan Rounce for election to the Board at the forthcoming Annual General Meeting. Details of his background are given in the Board of Directors' section on page 9.

## Management agreement

The management agreement may be terminated by either party on 12 months' notice and is subject to earlier termination in the event of certain breaches or on the insolvency of either party. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Manager is paid an annual fee equal to 2 per cent. of the net asset value of the Company and an annual secretarial and administrative fee of £39,955 plus VAT (2009: £39,435 plus VAT) increased annually by RPI. These fees are payable quarterly in arrears. Total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value with effect from 1 January 2010.

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

## Management performance incentive

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 8 per cent. of the excess total return above 5 per cent. per annum, paid out annually in cash as an addition to the management fee. 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.

There has been no performance fee payable this year. In 2009, £23,000 was payable to the Manager due to the refund of prior years' historic VAT.

No further performance fee will become due until the hurdle rate comprising net asset value, plus dividends, has been reached.



# Directors' report and enhanced business review (continued)

## Evaluation of the Manager

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

## Valuation of investments

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

## Investment and co-investment

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

## Auditors

A resolution to re-appoint PKF (UK) LLP as auditors will be proposed at the Annual General Meeting on 21 June 2010.

## Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. Trade creditors totalled £5,000 as at 31 March 2010 (2009: £39,000). The creditor days as at 31 March 2010 were 2 days (2009: 15 days).

## Annual General Meeting

The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 2.00 pm on 21 June 2010. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against', and 'withheld'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution. A summary of proxies lodged at the Annual General Meeting will be published at [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) within the 'Our Funds' section by clicking on Albion Venture Capital Trust PLC.

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

## Power to allot shares

Ordinary resolution number 9 will request the authority to allot up to an aggregate nominal amount of £1,804,961 representing approximately 10 per cent. of the issued Ordinary share capital of the Company as at 20 May 2010.

The Directors do not currently have any intention to allot shares, with the exception of the Dividend Reinvestment Scheme and reissuing treasury shares where it is in the Company's interest to do so. The Company currently holds 1,303,278 Ordinary treasury shares representing 3.6 per cent. of the total Ordinary share capital in issue as at 31 March 2010 and 20 May 2010.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2009. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

## Dis-application of pre-emption rights

Special resolution number 10 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 £1,804,961 of the nominal value of the share capital representing 10 per cent. of the issued Ordinary share capital of the Company as at the date of this Report.

The authority sought at the Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting, whichever is earlier. Members will note that this resolution also applies to treasury shares.



# Directors' report and enhanced business review (continued)

## Purchase of own shares

Special resolution number 11 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 11. Shares bought back under this authority may be cancelled and up to 10 per cent. can be held in treasury.

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

This resolution would renew the 2009 authority, which was on similar terms. During the financial year under review, the Company purchased 327,692 Ordinary shares of 50 pence each for treasury at an aggregate consideration of £209,000 including stamp duty representing 0.9 per cent. of the issued share capital and of the Company as at 31 March 2010.

The authority sought at the Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting, whichever is earlier. Members will note that this resolution also applies to treasury shares.

## Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by resolution number 11, as a special resolution, is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit Directors to sell treasury shares at a price not less than that at which they were purchased.

## Recommendation

Your Board believes that the passing of the resolutions above is in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of all the proposed resolutions, as the Directors intend to do in respect of their own beneficial shareholdings of 131,410 shares.

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and enhanced business review, the Directors' remuneration report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors confirm, to the best of their knowledge, that:

- the Financial Statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Management report included within the Chairman's statement, Manager's report and Director's report and enhanced business review includes a fair review of the development and performance of the business and the

## Directors' report and enhanced business review (continued)

position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names of all the Directors are stated on page 2.

### Disclosure of information to auditors

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

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

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

By Order of the Board

### Albion Ventures LLP

Company Secretary

1 King's Arms Yard  
London, EC2R 7AF

20 May 2010

# Statement of corporate governance

## Background

The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code") and updated in June 2006 and June 2008.

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

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

## Application of the Principles of the Code

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

## Board of Directors

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

David Watkins is the Chairman and Jeff Warren is the Senior Independent Director.

David Watkins, Jonathan Thornton and John Kerr 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 consider that a Director's length of service reduces his ability to act independently of the Manager.

David Watkins, Jonathan Thornton and John Kerr are Directors of other funds managed by Albion Ventures LLP,

the Manager, and are therefore not considered to be independent directors. Under the Listing Rules, with effect from October 2010, the Company will be required to have an independent Chairman and a majority of independent directors, where to be independent, a Director cannot serve on the Board of more than one Company managed by the Manager. As mentioned in the Chairman's statement, Mr Thornton will resign in September 2010, and Jonathan Rounce will be proposed for election at the forthcoming Annual General Meeting. It is intended that David Watkins become independent by September 2010.

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

The Board met five times during 2010 as part of its regular programme of Board meetings. All of the Directors attended each meeting. A sub-committee of the Board comprising of John Kerr and Jeff Warren met twice during the year to allot shares issued under the Dividend Reinvestment Scheme.

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 consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;

# Statement of corporate governance (continued)

- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company;
- share buy-back and treasury share programme; and
- monitoring shareholder profile and considering shareholder communications.

## Committees' and Directors' performance evaluation

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

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

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

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

Directors' retirement and re-election is subject to the Articles of Association and the AIC Code on Corporate Governance. David Watkins, Jonathan Thornton and John Kerr have been Directors for more than nine years, and in accordance with the AIC Code will retire and offer themselves for re-election at the forthcoming Annual General Meeting, and annually thereafter.

In light of the structured performance evaluation, David Watkins, Jonathan Thornton and John Kerr, are considered to be effective and demonstrate strong commitment to the role. The Board also believe that Jonathan Rounce, who is nominated for election by the Board, has the relevant skills and experience to complement the current Board structure. The Board believes it to be in the best interest of the Company to appoint David Watkins, Jonathan Thornton,

John Kerr and Jonathan Rounce at the forthcoming Annual General Meeting.

## Remuneration Committee

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

## Audit Committee

The Audit Committee consists of all Directors and John Kerr is Chairman. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 March 2010; all members attended.

Written terms of reference have been constituted for the Audit Committee. These are as follows:

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external Auditors annually, approving their appointment, re-appointment, remuneration, terms of engagement and providing an ongoing review of Auditor independence and objectivity;
- monitoring and reviewing the external Auditor's independence and objectivity and the effectiveness of the audit process;
- developing and implementing a policy for the supply of non-audit services by the external Auditors;
- meeting external auditors at least once a year without the presence of the Manager;
- meeting with the internal auditors of the Manager when appropriate;
- ensuring that all Directors of the Company and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee, and that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and

## Statement of corporate governance (continued)

- undertaking the duties of the Engagement Committee, and reviewing the performance of the Manager and all matters arising under the Management Agreement.

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

- formally reviewing the final Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring 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 Partner in charge of Albion Ventures LLP's internal audit at Littlejohn LLP;
- meeting with the external auditors and reviewing their findings; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

### Nomination Committee

The Nomination Committee consists of all Directors, with David Watkins as Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee has recommended the appointment of Jonathan Rounce as a Director of the Company. The Directors and Manager feel that they have the appropriate industry contacts to recommend the most appropriately qualified people for the vacancy on the Board, being aware of costs associated with employing headhunters. In considering the appointment, the Committee was mindful of experience, proven ability at working at senior levels within Boards and knowledge of the SME and leisure sector in which the Company invests.

### Internal control

In accordance with principle C.2 of the Combined Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is

designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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 valuations of the asset-backed investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the Managing Partner and reviews of financial reports are carried out by the Operations Partner of Albion Ventures LLP;
- bank and stock reconciliations are carried out monthly by the Manager in accordance with FSA requirements;
- all published financial reports are reviewed by Albion Ventures LLP Compliance department;
- the Board reviews financial information; and
- a separate Audit Committee of the Board reviews published financial information.

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

# Statement of corporate governance (continued)

PLC on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

## Going concern

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

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 20. The Company's business activities, together with details of its performance are shown in the Directors' report and enhanced business review.

## Conflicts of interest

Directors review the disclosure of conflicts of interest annually, with 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 and 22 of the Directors' report and enhanced business review. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

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

## Relationships with shareholders

The Company's Annual General Meeting on 21 June 2010 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

Shareholders are able to access the latest information on the Company via the Albion Ventures LLP website [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) under the "Our Funds" section.

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

Tel: 0871 664 0300

(calls cost 10p per minute plus network extras, lines are open 8.30am – 5.30pm, Mon – Fri)

Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

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

Tel: 020 7601 1850

(calls may be recorded, lines are open 9.00am – 5.30pm, Mon – Fri)

Email: [info@albion-ventures.co.uk](mailto:info@albion-ventures.co.uk)

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

## Statement of compliance

With the exception of the requirement to have a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 March 2010 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

## David Watkins

Chairman

20 May 2010



# Directors' remuneration report

## Introduction

This report is submitted in accordance with Section 420 of the Companies Act 2006. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

## UNAUDITED INFORMATION

### Remuneration Committee

Since the Company's Board consists solely of non-executive Directors and there are no executive employees, a Remuneration Committee is not considered necessary.

### Directors' remuneration policy

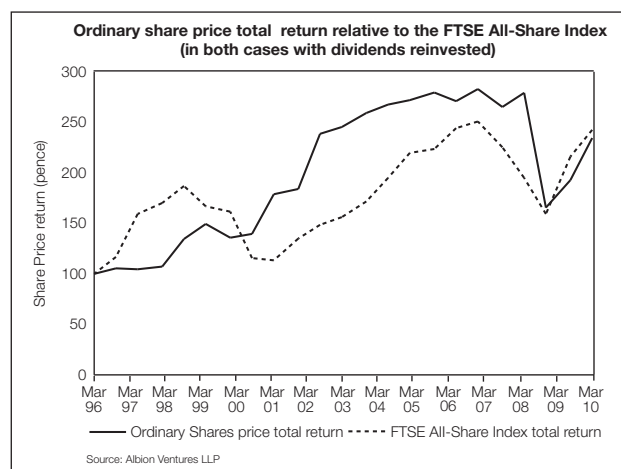
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company.

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

### Performance graph

The graph that follows shows Albion Venture Capital Trust PLC's share price total return against 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. 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.



*Methodology: The share price 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.*

### Service contracts

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

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

## AUDITED INFORMATION

### 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:

	<b>2010</b>	<b>2009</b>
	<b>Fees</b>	<b>Fees</b>
	<b>£'000</b>	<b>£'000</b>
D J Watkins	<b>20</b>	20
J M B L Kerr	<b>20</b>	20
Jonathan Thornton Limited (for J G T Thornton's services)	<b>20</b>	20
J Warren	<b>20</b>	20
	<b>80</b>	80

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.



## Directors' remuneration report (continued)

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

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £10,500 (2008: £10,500).

By Order of the Board

**Albion Ventures LLP**

Company Secretary

1 King's Arms Yard  
London, EC2R 7AF

20 May 2010

# Independent Auditors' report To the Members of Albion Venture Capital Trust PLC

We have audited the Financial Statements of Albion Venture Capital Trust PLC for the year ended 31 March 2010 which comprise the Income statement, the Balance sheet, the Reconciliation of movement in shareholders' funds, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

## Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report and enhanced business review for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate governance statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the Financial Statements.

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

We have nothing to report in respect of the following:

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' statement, set out on page 27, in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

## Rosemary Clarke

(Senior statutory auditor)

for and on behalf of PKF (UK) LLP, Statutory auditors  
London, UK

20 May 2010

# Income statement

	Note	Year ended 31 March 2010			Year ended 31 March 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	-	(286)	(286)	-	(6,483)	(6,483)
Investment income	4	1,330	-	1,330	1,761	-	1,761
Investment management fees	5	(144)	(433)	(577)	(183)	(549)	(732)
Recovery of VAT	6	7	21	28	180	540	720
Other expenses	7	(208)	-	(208)	(249)	-	(249)
<b>Return/(loss) on ordinary activities before tax</b>		<b>985</b>	<b>(698)</b>	<b>287</b>	1,509	(6,492)	(4,983)
Tax credit/(charge) on ordinary activities	9	18	120	138	(329)	2	(327)
<b>Return/(loss) attributable to shareholders</b>		<b>1,003</b>	<b>(578)</b>	<b>425</b>	1,180	(6,490)	(5,310)
<b>Basic and diluted return/(loss) per share (pence)*</b>	11	<b>2.9</b>	<b>(1.7)</b>	<b>1.2</b>	3.3	(18.3)	(15.0)

\* excluding treasury shares

The accompanying notes on pages 35 to 46 form an integral part of these Financial Statements.

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

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

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

The difference between the reported return/(loss) on ordinary activities before tax and the historical profit/(loss) is due to the fair value movements on investments. As a result a note on historical cost profit and losses has not been prepared.

# Balance sheet

	Note	31 March 2010 £'000	31 March 2009 £'000
<b>Fixed asset investments</b>			
Qualifying		25,575	25,340
Non-qualifying		639	675
<b>Total fixed asset investments</b>	12	<b>26,214</b>	26,015
<b>Current assets</b>			
Trade and other debtors	14	382	199
Current asset investments		–	1,463
Cash at bank and in hand	18	2,103	2,498
		<b>2,485</b>	4,160
<b>Creditors: amounts falling due within one year</b>	15	<b>(299)</b>	(305)
<b>Net current assets</b>		<b>2,186</b>	3,855
<b>Net assets</b>		<b>28,400</b>	29,870
<b>Capital and reserves</b>			
Called up share capital	16	18,050	18,002
Share premium		69	53
Capital redemption reserve		1,914	1,914
Unrealised capital reserve		(4,599)	(4,309)
Special reserve		13,236	14,110
Own treasury shares reserve		(1,032)	(823)
Realised capital reserve		(295)	(7)
Revenue reserve		1,057	930
<b>Total equity shareholders' funds</b>		<b>28,400</b>	29,870
<b>Basic and diluted net asset value per share (pence)*</b>	17	<b>81.6</b>	85.3

\* excluding treasury shares

The accompanying notes on pages 35 to 46 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 20 May 2010 and were signed on its behalf by

**David Watkins**

Chairman

**Company number: 3142609**

## Reconciliation of movement in shareholders' funds

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Own treasury share reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
<b>As at 1 April 2009</b>	18,002	53	1,914	(4,309)	14,110	(823)	(7)	930	29,870
Net realised gains on investments in the year	-	-	-	-	-	-	51	-	51
Unrealised losses on investments	-	-	-	(337)	-	-	-	-	(337)
Transfer of previously unrealised losses on sale of investments	-	-	-	47	-	-	(47)	-	-
Capitalised investment management fee	-	-	-	-	-	-	(433)	-	(433)
Capitalised recoverable VAT	-	-	-	-	-	-	21	-	21
Tax on capitalised management fees	-	-	-	-	-	-	120	-	120
Purchase of own treasury shares	-	-	-	-	-	(209)	-	-	(209)
Issue of equity (net of costs)	48	16	-	-	-	-	-	-	64
Revenue return attributable to shareholders	-	-	-	-	-	-	-	1,003	1,003
Dividends paid	-	-	-	-	(874)	-	-	(876)	(1,750)
<b>As at 31 March 2010</b>	<b>18,050</b>	<b>69</b>	<b>1,914</b>	<b>(4,599)</b>	<b>13,236</b>	<b>(1,032)</b>	<b>(295)</b>	<b>1,057</b>	<b>28,400</b>
<b>As at 1 April 2008</b>	17,939	-	1,914	2,174	14,110	(252)	1,952	1,338	39,175
Unrealised losses on investments	-	-	-	(6,483)	-	-	-	-	(6,483)
Capitalised investment management fee	-	-	-	-	-	-	(549)	-	(549)
Capitalised recoverable VAT	-	-	-	-	-	-	540	-	540
Tax on capitalised management fees	-	-	-	-	-	-	2	-	2
Purchase of own treasury shares	-	-	-	-	-	(571)	-	-	(571)
Issue of equity (net of costs)	63	53	-	-	-	-	-	-	116
Revenue return attributable to shareholders	-	-	-	-	-	-	-	1,180	1,180
Dividends paid	-	-	-	-	-	-	(1,952)	(1,588)	(3,540)
<b>As at 31 March 2009</b>	<b>18,002</b>	<b>53</b>	<b>1,914</b>	<b>(4,309)</b>	<b>14,110</b>	<b>(823)</b>	<b>(7)</b>	<b>930</b>	<b>29,870</b>

\* Included within these reserves is an amount of £8,367,000 (2009: £9,901,000) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

# Cash flow statement

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
<b>Operating activities</b>			
Investment income received		1,248	1,648
Deposit interest received		50	235
Dividend income received		43	88
Investment management fees paid		(620)	(813)
Recovery of VAT		243	562
Other cash payments		(254)	(262)
<b>Net cash inflow from operating activities</b>	19	<b>710</b>	1,458
<b>Taxation</b>			
UK corporation tax paid		(251)	(271)
<b>Capital expenditure and financial investments</b>			
Purchase of fixed asset investments		(2,156)	(2,503)
Disposal of fixed asset investments		1,701	2,394
<b>Net cash outflow from investing activities</b>		<b>(455)</b>	(109)
<b>Management of liquid resources</b>			
Disposal of current asset investment		1,496	-
<b>Net cash inflow from liquid resources</b>		<b>1,496</b>	-
<b>Equity dividends paid</b>			
(net of cost of shares issued under the dividend reinvestment scheme)	10	(1,672)	(3,416)
<b>Net cash outflow before financing</b>		<b>(172)</b>	(2,338)
<b>Financing</b>			
Purchase of own shares	16	(209)	(571)
Cost of issue of share capital		(14)	(2)
<b>Net cash outflow from financing</b>		<b>(223)</b>	(573)
<b>Cash outflow in the year</b>	18	<b>(395)</b>	(2,911)

# Notes to the Financial Statements

## 1. Accounting convention

The Financial Statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” (“SORP”) issued by the Association of Investment Companies (“AIC”) in January 2009. Accounting policies have been applied consistently in current and prior periods.

## 2. Accounting policies

### Investments

#### *Unquoted equity investments*

In accordance with FRS 26 “Financial Instruments Recognition and Measurement”, unquoted equity investments are designated as fair value through profit or loss (“FVTPL”). Unquoted investments’ fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines). The September 2009 revisions to the IPEVCV guidelines have not had a material impact on the portfolio.

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

#### *Unquoted loan stock*

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

For all unquoted loan stock, fully performing, renegotiated, past due and impaired, the Board considers that the fair value is equal to or greater than the security value of these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset’s cost and the present value of estimated future cash flows, discounted at the effective interest rate.

#### *Floating rate notes*

In accordance with FRS 26, floating rate notes are designated as fair value through profit or loss and are valued at market bid price at the balance sheet date. Floating rate notes are classified as current asset investments as they are investments held for the short term.

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

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

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

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

### Investment income

#### *Unquoted equity income*

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

#### *Unquoted Loan stock and other preferred income*

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using the effective interest rate over the life of the financial instrument. Income which is not capable of being received within a reasonable period of time is reflected in the capital value of the investment.

#### *Bank interest income*

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

#### *Floating rate note income*

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

### Investment management fees and other expenses

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

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

### Performance incentive fee

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

### Taxation

Taxation is applied on a current basis in accordance with FRS 16 “Current tax”. Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 “Deferred tax”, deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and



# Notes to the Financial Statements (continued)

## 2. Accounting policies (continued)

expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

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

### Reserves

#### *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 and transfers to the special reserve.

#### *Capital redemption reserve*

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

#### *Unrealised capital reserve*

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

#### *Special reserve*

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

#### *Own treasury shares reserve*

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

#### *Realised capital reserve*

The following are disclosed in this reserve:

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

### Dividends

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

# Notes to the Financial Statements (continued)

## 3. Losses on investments

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Unrealised (losses) on fixed asset investments held at fair value through profit or loss account	(67)	(5,331)
Unrealised impairments on fixed asset investments held at amortised cost	(270)	(1,142)
<b>Unrealised losses on fixed asset investments</b>	<b>(337)</b>	<b>(6,473)</b>
Unrealised (losses) on current asset investments held at fair value through profit or loss account	–	(10)
<b>Unrealised losses sub-total</b>	<b>(337)</b>	<b>(6,483)</b>
Realised gains on fixed asset investments held at fair value through profit or loss account	4	–
Realised gains on fixed asset investments held at amortised cost	14	–
Realised gains on current asset investments held at fair value through profit or loss account	33	–
<b>Realised gains sub-total</b>	<b>51</b>	<b>–</b>
<b>Total</b>	<b>(286)</b>	<b>(6,483)</b>

Investments valued on an amortised cost basis are unquoted loan stock investments as described in note 2.

## 4. Investment income

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
<b>Income recognised on investments held at fair value through profit or loss</b>		
Dividend income	43	54
Floating rate note interest	13	76
Bank deposit interest	31	150
Other income	6	–
	<b>93</b>	<b>280</b>
<b>Income recognised on investments held at amortised cost</b>		
Return on loan stock investments	1,237	1,481
	<b>1,330</b>	<b>1,761</b>

Interest income earned on impaired investments at 31 March 2010 amounted to £343,000 (2009: £231,000). These investments are all held at amortised cost.

## 5. Investment management fees

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	144	433	577	183	549	732

Further details of the management agreement under which the investment management fee is paid are given in Directors' report and enhanced business review on page 20.

## 6. Recovery of Value Added Tax

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

The Manager, Albion Ventures LLP has made a further claim for the historic VAT that Albion Venture Capital Trust PLC has paid on management fees. A sum of £28,000 (2009: £720,000) has been recognised as a separate item in the Income statement, allocated between revenue and capital return in the same proportion as that which the original VAT had been charged. An additional tax charge of £8,000 (2009: £201,000) is payable on this recovery of historic VAT and this is reflected within the total tax charge shown in the Income statement.

# Notes to the Financial Statements (continued)

## 7. Other expenses

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Directors' fees (including VAT and NIC)	86	85
Other administrative expenses	84	126
Tax services	14	14
Auditors' remuneration for statutory audit services	24	24
	<u>208</u>	<u>249</u>

Administration fees of £39,955 excluding VAT (2009: £39,000) were paid by the Company in the year to Albion Ventures LLP.

## 8. Directors' fees

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Directors' fees	80	80
National insurance and/or VAT	6	5
	<u>86</u>	<u>85</u>

Further information regarding Directors' remuneration can be found in the Directors' remuneration report on page 28.

## 9. Tax (credit)/charge on ordinary activities

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	256	(120)	136	423	(2)	421
UK corporation tax in respect of prior year	(274)	-	(274)	(94)	-	(94)
<b>Total</b>	<u>(18)</u>	<u>(120)</u>	<u>(138)</u>	<u>329</u>	<u>(2)</u>	<u>327</u>

# Notes to the Financial Statements (continued)

## 9. Tax (credit)/charge on ordinary activities (continued)

### Factors affecting the tax charge:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Return/(loss) on ordinary activities before taxation	287	(4,983)
Tax on profit at the standard rate	80	(1,395)
Factors affecting the charge:		
Non-taxable losses	80	1,816
Non-taxable income	(13)	–
Consortium relief in respect of prior years	(274)	(94)
Marginal relief	(11)	–
	<b>(138)</b>	327

The tax charge for the year shown in the Income statement is lower than the standard rate of corporation tax in the UK of 28 per cent. (2009: 28 per cent.). The differences are explained above.

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

### Notes

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

## 10. Dividends

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 Total £'000
First dividend paid on 15 August 2008 – 5 pence per share	–	1,776
Second dividend paid on 9 January 2009 – 5 pence per share	–	1,764
First dividend paid 31 July 2009 – 2.5 pence per share	876	–
Second dividend paid 6 January 2010 – 2.5 pence per share	874	–
	<b>1,750</b>	3,540

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 March 2011 of 2.5 pence per share. This dividend will be paid on 25 June 2010 to shareholders on the register as at 28 May 2010. The total dividend will be approximately £870,000.

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

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue	Capital	Total	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return/(loss) attributable to equity shares (£'000)	1,003	(578)	425	1,180	(6,490)	(5,310)
Weighted average shares in issue (excluding treasury shares)	34,978,284	34,978,284	34,978,284	35,364,875	35,364,875	35,364,875
Return/(loss) attributable per equity share (pence)	<b>2.9</b>	<b>(1.7)</b>	<b>1.2</b>	3.3	(18.3)	(15.0)

The weighted average number of shares is calculated excluding treasury shares of 1,303,278 (2009: 975,586).

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

# Notes to the Financial Statements (continued)

## 12. Fixed asset investments

	<b>31 March 2010 £'000</b>	31 March 2009 £'000
Qualifying unquoted equity and preference share investments	<b>7,245</b>	7,214
Qualifying unquoted loan stock investments	<b>18,330</b>	18,126
Non-qualifying investments	<b>639</b>	675
<b>Total</b>	<b>26,214</b>	26,015

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

	<b>31 March 2010 £'000</b>	31 March 2009 £'000
Unquoted equity and preference shares	<b>7,684</b>	7,576
Unquoted loan stock	<b>18,530</b>	18,439
<b>Total</b>	<b>26,214</b>	26,015

	<b>Qualifying equity and preference share investments £'000</b>	<b>Qualifying loan stock investments £'000</b>	<b>Non-qualifying equity and preference share investments £'000</b>	<b>Non-qualifying loan stock investments £'000</b>	<b>Total £'000</b>
<b>Opening valuation as at 1 April 2009</b>	7,214	18,439	362	–	26,015
Purchases at cost	658	1,396	–	200	2,254
Disposal proceeds	(545)	(1,156)	–	–	(1,701)
Realised gains	4	14	–	–	18
Debt/equity swap	58	(58)	–	–	–
Movement in loan stock accrued income	–	5	–	–	5
Unrealised gains/(losses)	(144)	(310)	77	–	(377)
<b>Closing valuation as at 31 March 2010</b>	<b>7,245</b>	<b>18,330</b>	<b>439</b>	<b>200</b>	<b>26,214</b>
<b>Movement in loan stock accrued income</b>					
Opening accumulated movement in loan stock accrued income	–	175	–	–	175
Movement in loan stock accrued income	–	5	–	–	5
<b>Closing accumulated movement in loan stock accrued income</b>	<b>–</b>	<b>180</b>	<b>–</b>	<b>–</b>	<b>180</b>
<b>Movement in unrealised losses</b>					
Opening accumulated unrealised (losses)/gains	(3,301)	(1,162)	186	–	(4,277)
Transfer of previously unrealised losses to realised reserve on disposal of investments	(1)	56	–	–	55
Movement in unrealised losses	(144)	(310)	77	–	(377)
<b>Closing accumulated unrealised losses</b>	<b>(3,446)</b>	<b>(1,416)</b>	<b>263</b>	<b>–</b>	<b>(4,599)</b>
<b>Historic cost basis</b>					
Opening book cost	10,515	19,426	176	–	30,117
Purchases at cost	658	1,396	–	200	2,254
Sales at cost	(540)	(1,198)	–	–	(1,738)
Debt/equity swap	58	(58)	–	–	–
<b>Closing book cost</b>	<b>10,691</b>	<b>19,566</b>	<b>176</b>	<b>200</b>	<b>30,633</b>

# Notes to the Financial Statements (continued)

## 12. Fixed asset investments (continued)

Fixed asset investments held at fair value through the profit or loss account total £7,684,000 (2009: £7,576,000). Investments held at amortised cost total £18,530,000 (2009: £18,439,000). There has been no re-designation of fixed asset investments during the year.

Additions of £2,156,000 included in the Cash flow statement differ from the additions of £2,254,000 shown in the note above due to an investment settlement debtor of £58,000 in respect of Bravo Inns II Limited and, in addition, £40,000 of unrealised gains that was capitalised from Pelican Inn Limited when the pub portfolio was consolidated to form the Charnwood Pub Company Limited as disclosed below.

There was one complete disposal during the year of Youngs VCT Limited totalling £540,000; there were no realised gains or losses on disposal. Partial loan stock repayments during the year were made by Prime VCT Limited (£550,000), two pub investments (£96,000), three City Screen cinemas (£297,000) and hotels also repaid loan stock (£211,000). The Company also received £7,000 from River Bourne Health Club Limited, which is in administration. These receipts total £1,701,000 as disclosed in the Cash flow statement and in the disposal proceeds in the note above.

In September 2009, Albion Venture Capital Trust PLC exchanged its shareholdings in Welland Inns VCT Limited (formerly Clear Pub Company VCT Limited), Novello Pub Limited and Pelican Inn Limited for a shareholding in Charnwood Pub Company Limited. The reorganisation resulted in the pubs being managed by a single management team.

### Fixed asset investment class valuation methodologies

Unquoted loan stock investments are valued on an amortised cost basis. Loan stock using a fixed interest rate total £18,468,000 (2009: £18,216,000). Loan stocks with a floating rate of interest total £62,000 (2009: £223,000).

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

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

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

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

Unquoted equity and preference share investments are all valued according to Level 3 valuation methods.

The unquoted equity investments valued at fair value through profit or loss (level 3) had the following movements in the year to 31 March 2010:

	31 March 2010 £'000
Opening balance	7,576
Additions	716
Disposals	(545)
Realised gains	4
Unrealised losses on equity investments	(67)
Closing balance	7,684

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

Valuation methodology	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
	Cost (reviewed for impairment)	1,450
Net asset value supported by third party valuation	6,234	5,355
	<u>7,684</u>	<u>7,576</u>

There have been no changes in valuation methodologies of unquoted equity investments between 31 March 2009 and 31 March 2010.

The valuation method used will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 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 2010.

## Notes to the Financial Statements (continued)

### 12. Fixed asset investments (continued)

FRS 29 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. After due consideration and noting that the valuation methodology applied to 81 per cent. of the equity investments (by valuation), is based on cash or third party market information, the Directors do not believe that changes to reasonable possible alternative assumptions for the valuation of the portfolio as a whole would lead to a significant change in the fair value of the portfolio.

### 13. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the investee company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the investee companies as at 31 March 2010 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Prime VCT Limited	Great Britain	Residential property developer	50.0% Ordinary shares	50.0%
City Screen (Cambridge) Limited	Great Britain	Art house cinema	50.0% Ordinary shares	50.0%
G&K Smart Developments VCT Limited	Great Britain	Residential property developer	42.9% Ordinary shares	42.9%
Chase Midland VCT Limited	Great Britain	Residential property developer	38.1% Ordinary shares	38.1%
Kew Green VCT (Stansted) Limited	Great Britain	Hotel owner and operator	28.2% Ordinary shares	28.2%
The Bear Hungerford Limited	Great Britain	Hotel owner and operator	26.1% Ordinary shares	26.1%
The Place Sandwich VCT Limited	Great Britain	Hotel owner and operator	25.0% Ordinary shares	25.0%
The Stanwell Hotel Limited	Great Britain	Hotel owner and operator	23.8% Ordinary shares	23.8%

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

### 14. Current assets

	31 March 2010 £'000	31 March 2009 £'000
<b>Debtors</b>		
Prepayments and accrued income	2	2
Recoverable VAT	–	193
UK corporation tax repayable	380	–
Other debtors	–	4
	<b>382</b>	<b>199</b>

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

The Company does not hold any current asset investments (2009: Nationwide floating rate note £1,463,000). Floating rates notes can be converted to cash within five working days.

### 15. Creditors: amounts falling due within one year

	31 March 2010 £'000	31 March 2009 £'000
Trade creditors	5	39
UK corporation tax payable	–	12
Accruals and deferred income	294	254
	<b>299</b>	<b>305</b>

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



# Notes to the Financial Statements (continued)

## 16. Called up share capital

	31 March 2010 £'000	31 March 2009 £'000
<b>Authorised</b>		
68,000,000 Ordinary shares of 50p each (2009: 68,000,000)	<u>34,000</u>	<u>34,000</u>
<b>Allotted, called up and fully paid</b>		
36,099,232 Ordinary shares of 50p each (2009: 36,003,835)	<u>18,050</u>	<u>18,002</u>
<b>Shares in issue</b>		
34,795,954 Ordinary shares of 50p each (net of treasury shares) (2009: 35,028,249)		

The Company purchased 327,692 Ordinary shares (2009: 731,040) to be held in treasury at a cost of £209,000 (2009: £571,000) representing 0.9 per cent of the shares in issue (excluding treasury shares) as at 31 March 2010. The shares purchased for treasury were funded from the Own treasury shares reserve.

The Company holds a total of 1,303,278 shares (2009: 975,586) in treasury, representing 3.6 per cent. of the Ordinary share capital in issue as at 31 March 2010.

Under the terms of the Dividend Reinvestment Scheme Circular dated 10 July 2008, the following Ordinary shares of nominal value 50 pence were allotted during the year.

Date of Allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Consideration received £'000	Issue price (pence per share)	Opening market price per share on allotment date (pence per share)
31 July 2009	47,215	24	39	82.8	67.8
6 January 2010	<u>48,182</u>	<u>24</u>	<u>38</u>	<u>79.4</u>	<u>57.8</u>

## 17. Basic and diluted net asset values per share

	31 March 2010	31 March 2009
Basic and diluted net asset values per share (pence)	<u>81.6</u>	<u>85.3</u>

The basic and diluted net asset values per share at the year end are calculated in accordance with the Articles of Association and are based upon total shares in issue less the treasury shares of 34,795,954 Ordinary shares (2009: 35,028,249).

There are no convertible instruments, derivatives or contingent share agreements in issue. The Company's policy is to sell treasury shares at a price greater than the purchase price hence the net asset value per share on a diluted basis would be equal to or greater than the basic net asset value, depending on the actual price achieved for selling the treasury shares.

## 18. Analysis of changes in cash during the year

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Opening cash balances	2,498	5,409
Net cash outflow	<u>(395)</u>	<u>(2,911)</u>
<b>Closing cash balances</b>	<u>2,103</u>	<u>2,498</u>

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Revenue return on ordinary activities before taxation	985	1,509
Investment management fee charged to capital	(433)	(549)
Recoverable VAT capitalised	21	540
Movement in accrued amortised loan stock interest	5	167
Decrease/(increase) in debtors	197	(151)
Decrease in creditors	<u>(65)</u>	<u>(58)</u>
<b>Net cash inflow from operating activities</b>	<u>710</u>	<u>1,458</u>

# Notes to the Financial Statements (continued)

## 20. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 16. The Company is permitted to buy-back its own shares for cancellation or treasury purposes, and this is described in more detail on page 6 of the Chairman's statement.

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

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

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

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

### Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted and in quoted investments, details of which are shown on pages 11 to 12. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the investee company and the dynamics of market quoted comparators. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the balance sheet date is the value of the fixed and current asset investment portfolio which is £26,214,000 (2009: £27,478,000). Fixed and current asset investments form 92.3 per cent. of the net asset value as at 31 March 2010 (2009: 92.0 per cent.).

More details regarding the classification of fixed asset investments are shown in note 12.

### Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of investments section on pages 11 to 12 and in the Manager's report.

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

As required under FRS 29 "Financial Instruments: Disclosures", the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed 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 £2,621,000 (2009: £2,748,000).

### Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is considered that further falls in interest rates would not have a significant impact.

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 6.4 per cent. (2009: 7.5 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 2.0 years (2009: 1.3 years).

## Notes to the Financial Statements (continued)

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

#### Cash flow interest rate risk (continued)

The Company's financial assets and liabilities as at 31 March 2010, all denominated in pounds sterling, consist of the following:

	31 March 2010				31 March 2009			
	Fixed	Floating	Non-	Total	Fixed	Floating	Non-	Total
	rate	rate	interest		rate	rate	interest	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted equity	-	-	7,684	7,684	-	-	7,576	7,576
Unquoted loan stock	18,468	62	-	18,530	18,216	223	-	18,439
Floating rate notes	-	-	-	-	-	1,463	-	1,463
Debtors	-	-	382	382	-	-	199	199
Current liabilities	-	-	(299)	(299)	-	-	(305)	(305)
Cash	-	2,103	-	2,103	-	2,498	-	2,498
<b>Total net assets</b>	<b>18,468</b>	<b>2,165</b>	<b>7,767</b>	<b>28,400</b>	<b>18,216</b>	<b>4,184</b>	<b>7,470</b>	<b>29,870</b>

#### Credit risk

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

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

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

The Company's total gross credit risk as at 31 March 2010 was limited to £18,530,000 (2009: £18,439,000) of unquoted loan stock instruments, £2,103,000 cash deposits with banks (2009: £2,498,000) and no floating rate notes (2009: £1,463,000).

The cost, impairment and carrying value of impaired loan stocks held at amortised cost at 31 March 2010 and 31 March 2009 are as follows:

	Year ended 31 March 2010			Year ended 31 March 2009		
	Cost	Impairment	Carrying value	Cost	Impairment	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Impaired loan stock	7,608	(1,408)	6,200	7,469	(1,138)	6,331

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

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

As at the year end the Company held no floating rate notes (2009: one Nationwide floating rate note 07/06/2010 value £1,463,000).

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

#### Liquidity risk

Liquid assets are held as cash on current, deposit or short term money market accounts. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited balance sheet, which amounts to £2,840,000 as at 31 March 2010 (2009: £2,987,000).

The Company has no committed borrowing facilities as at 31 March 2010 (2009: £nil) and had cash balances of £2,103,000 (2009: £2,498,000) and no floating rate notes (2009: £1,463,000). The main cash outflows are for new investments, buy-back of shares and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company

# Notes to the Financial Statements (continued)

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

### Cash flow interest rate risk (continued)

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 £299,000 for the year to 31 March 2010 (2009: £305,000).

The carrying value of loan stock investments held at amortised cost at 31 March 2010 as analysed by expected maturity dates is as follows:

Redemption date	Fully performing loan stock £'000	Past due loan stock* £'000	Impaired loan stock £'000	Total £'000
Less than one year	–	–	1,567	1,567
1-2 years	1,758	1,901	740	4,399
2-3 years	935	2,386	301	3,622
3-5 years	3,948	1,402	3,592	8,942
<b>Total</b>	<b>6,641</b>	<b>5,689</b>	<b>6,200</b>	<b>18,530</b>

\*investments shown as past due are fully performing in terms of interest payments.

The carrying value of loan stock investments held at amortised cost at 31 March 2009 as analysed by expected maturity dates is as follows:

Redemption date	Fully performing loan stock £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
Less than one year	900	2,071	–	2,971
1-2 years	1,161	4,520	2,448	8,129
2-3 years	799	480	2,014	3,293
3-5 years	617	1,560	1,869	4,046
<b>Total</b>	<b>3,477</b>	<b>8,631</b>	<b>6,331</b>	<b>18,439</b>

Loan stock investments disclosed above as renegotiated would otherwise have been disclosed as past due.

In view of the information shown, 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 2010 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, which are carried at amortised cost, in accordance with FRS 26. The Directors believe that the current carrying value of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

## 21. Post balance sheet events

Since 31 March 2010 the Company has had the following post balance sheet events:

- April 2010: Investment of £123,000 in The Stanwell Hotel Limited
- April 2010: Repayment of £55,000 of loan stock by Kew Green VCT (Stansted) Limited

## 22. Related party transactions

The Manager, Albion Ventures LLP, could be considered to be a related party by virtue of the fact that it is party to a management agreement from the Company (details disclosed on page 20 of this Report). During the year, services of a total value of £617,000 (2009: £771,000), were purchased by the Company from Albion Ventures LLP; this includes £577,000 investment management fee and £39,955 administration fee (including VAT). At the financial year end, the amount due to Albion Ventures LLP in respect of these services disclosed within accruals and deferred income was £175,000 (2009: £185,000).

Albion Ventures LLP has reclaimed VAT from HMRC as described in note 6. A receipt of £28,000 (2009: £720,000) has been recognised in the Income statement for the year in respect of related historic management fees paid to Albion Ventures LLP.

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

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Albion Venture Capital Trust PLC (the “Company”) will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 21 June 2010 at 2.00 pm for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 9 will be proposed as ordinary resolutions and numbers 10 - 11 as special resolutions.

## Ordinary Business

1. To receive and adopt the Company’s accounts for the year ended 31 March 2010 together with the report of the Directors and Auditors.
2. To approve the Directors’ remuneration report for the year ended 31 March 2010.
3. To re-elect David Watkins as a Director of the Company.
4. To re-elect John Kerr as a Director of the Company.
5. To re-elect Jonathan Thornton as a Director of the Company.
6. To elect Jonathan Rounce as a Director of the Company.
7. To re-appoint PKF (UK) LLP as Auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.
8. To authorise the Directors to agree the Auditors’ remuneration.

## Special Business

9. That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) to allot shares in the Company up to a maximum aggregate nominal amount of £1,804,961 for Ordinary shares, such authority shall expire 18 months from the date of this resolution, or at the conclusion of the next Annual General Meeting, whichever is earlier but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted after the expiry of such period and the Directors may allot shares pursuant to such an offer or agreement as if the authority had not expired.
10. That, subject to and conditional on the passing of resolution number 9, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 9 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (a) in connection with an offer of such securities by way of rights issue;
  - (b) in connection with any Dividend Reinvestment Scheme introduced and operated by the Company; and
  - (c) otherwise than pursuant to paragraphs (a) to (b) above, up to an aggregate nominal amount of £1,804,961 for Ordinary shares,

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

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

## Notice of Annual General Meeting (continued)

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of the resolution the words “subject and conditional on the passing of resolution number 9” were omitted.

11. That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 50 pence 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 number of Ordinary shares hereby authorised to be purchased is 5,215,914 Ordinary shares an amount equal to 14.99 per cent. of the Ordinary shares in issue as at 20 May 2010 (less treasury shares);
  - (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share is 50 pence;
  - (c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for an Ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
  - (d) the authority hereby conferred shall, unless previously revoked or varied, expire at the end of the next Annual General Meeting, or eighteen months from the date of the passing of the resolution, whichever is earlier; and
  - (e) the Company may make a contract or contracts to purchase Ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the “Regulations”), Ordinary shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 11 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit Directors to sell treasury shares at a price not less than that at which they were purchased.

BY ORDER OF THE BOARD

**Albion Ventures LLP**

Company Secretary

Registered office

1 King's Arms Yard London, EC2R 7AF

Registered in England and Wales with number 3142609

20 May 2010

# Notice of Annual General Meeting (continued)

## Notes

1. Members entitled to attend, speak and vote at the Annual General Meeting ("AGM") may appoint a proxy or proxies (who need not be a member of the Company) to exercise these rights in their place at the meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. Proxies may only be appointed by completing and returning the Form of Proxy enclosed with this Notice to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.

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 2.00 pm on 19 June 2010.

**In accordance with good governance practice, the Company is offering shareholders use of an online service, offered by the Company's registrar, Capita Registrars, at [www.capitashareportal.com](http://www.capitashareportal.com). Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 2.00 pm on 19 June 2010 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders will need to use the unique personal identification Investor Code that is printed in their Form of Proxy. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.**

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 ('the Act') to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.
3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 2.00 pm on 19 June 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. 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.
5. Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the Articles of Association will be available for inspection at the Company's Registered Office from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.
6. 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 sections 527 or 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.
7. A copy of this Notice, and other information regarding the AGM, as required by section 311A of the Act, is available from [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk), Our Funds, Albion Venture Capital Trust PLC.
8. Any member attending the AGM 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 AGM 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 AGM that the question be answered.
9. As at 20 May 2010 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 36,099,232 Ordinary shares. The Company holds 1,303,278 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 20 May 2010 are 34,795,954.





