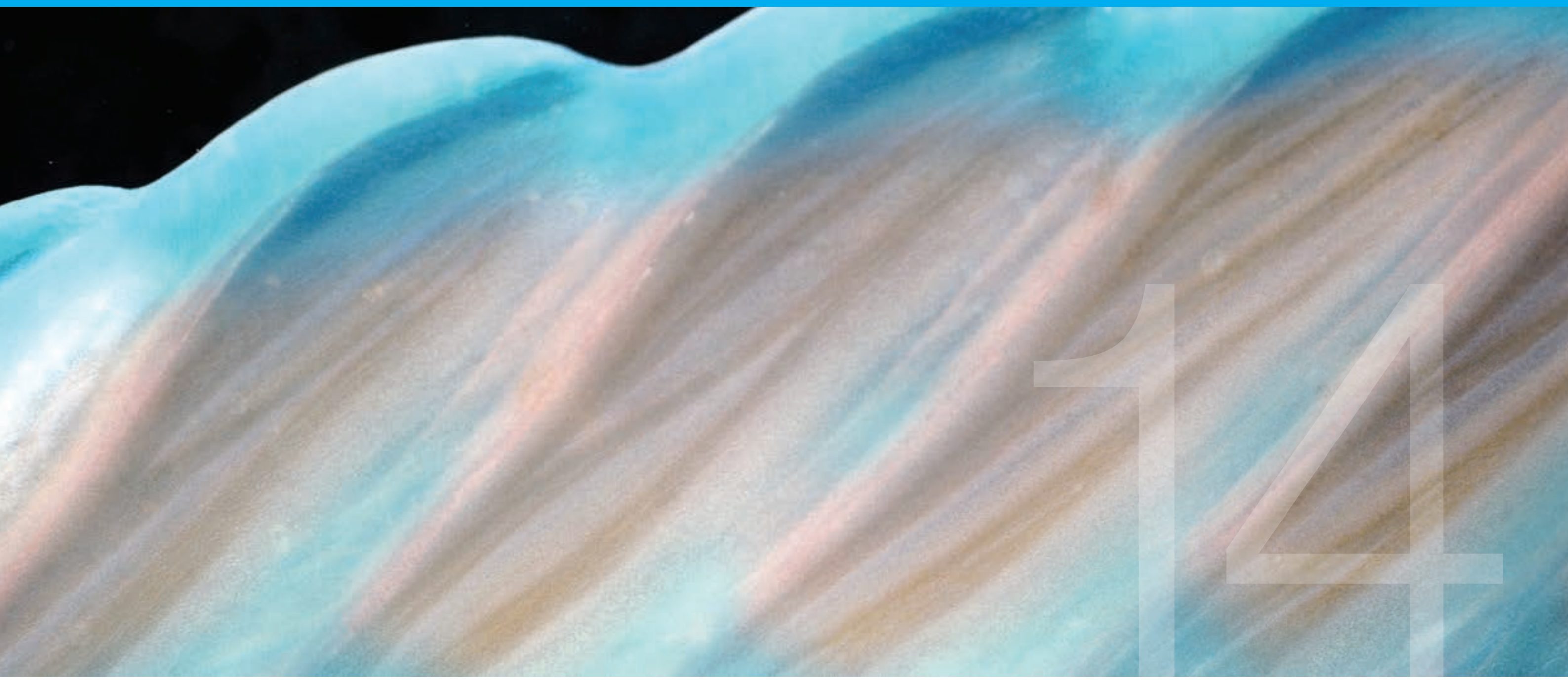
Annual Report and Financial Statements for the year ended 31 December 2014



Albion Development VCT PLC

ALBION VENTURES

Contents

Company information

Company number	03654040
Directors	G O Vero FCA, Chairman A Phillipps PhD MBA P H Reeve MA ACA J G T Thornton MA MBA FCA
Manager, company secretary, AIFM and registered office	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	Robertson Hare LLP 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP

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

Shareholder enquiries	For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC: Tel: 0870 873 5853 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri, calls may be recorded) Website: www.investorcentre.co.uk Shareholders can access holdings and valuation information regarding any of their shares held by Computershare by registering on Computershare's website.
Financial adviser enquiries	For enquiries relating to the performance of the Fund and information for financial advisers please contact Albion Ventures LLP: Tel: 0207 601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded) Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk **Please note that these contacts are unable to provide financial or taxation advice.**

Investment objectives

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

A further £6.3 million was raised through an issue of new D shares in 2009/2010 and £9.8 million has been raised for the Ordinary shares through the Albion VCTs Top Up Offers since January 2011. The funds raised have been invested in accordance with the Company's existing investment policy.

The Company's investment policy is intended to provide investors with a regular and predictable source of dividend income combined with the prospects of long term capital growth. This is achieved by establishing a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risks normally associated with investment in such companies. It is intended that this will be achieved as follows:

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

Financial calendar

Record date for first dividend	1 May 2015
Payment of first dividend	29 May 2015
Annual General Meeting	12pm on 4 June 2015
Announcement of half-yearly results for the six months ending 30 June 2015	August 2015
Payment of second dividend (subject to Board approval)	30 September 2015

Financial highlights

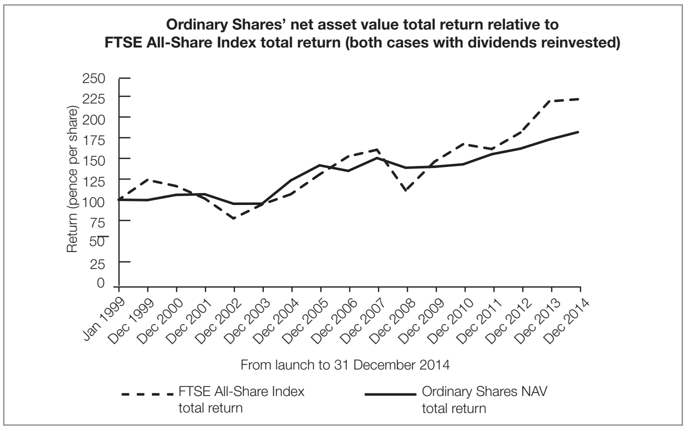
Ordinary shares

150.8p Net asset value plus dividends per Ordinary share from launch to 31 December 2014

3.4% Annualised return since launch before tax relief but after initial issue costs

5.0p Total tax free dividends per Ordinary share paid in the year to 31 December 2014

73.1p Net asset value per Ordinary share as at 31 December 2014



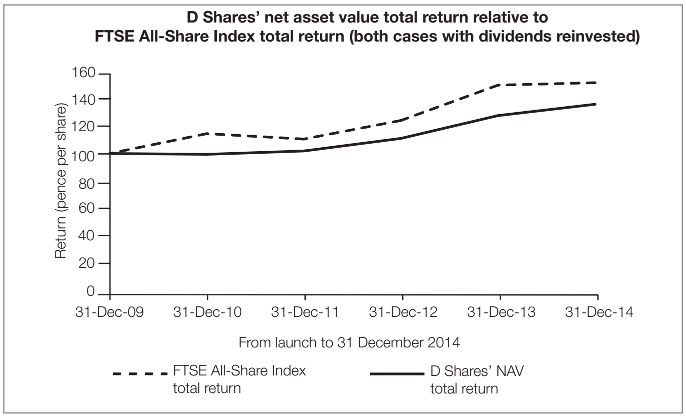
D shares

126.5p Net asset value plus dividends per D share from launch to 31 December 2014

5.0% Annualised return since launch before tax relief but after initial issue costs

5.0p Total tax free dividends per D share paid in the year to 31 December 2014

109.5p Net asset value per D share as at 31 December 2014



Financial highlights (continued)

	Ordinary shares		D shares	
	31 December 2014 pence per share	31 December 2013 pence per share	**31 December 2014 pence per share**	31 December 2013 pence per share
Dividends paid	**5.0**	5.0	**5.0**	5.0
Revenue return	**1.0**	1.1	**3.0**	3.0
Capital return	**3.0**	4.0	**4.1**	11.4
Net asset value	**73.1**	74.1	**109.5**	107.4

Total shareholder net asset value return to 31 December 2014:

	Ordinary shares 31 December 2014 (pence per share)(ii)	**C shares 31 December 2014 (pence per share)(ii)(iv)**	**D shares 31 December 2014 (pence per share)(ii)**
Total dividends paid during the year ended:			
31 December 1999(i)	1.0	–	–
31 December 2000	2.9	–	–
31 December 2001	3.9	–	–
31 December 2002	4.2	–	–
31 December 2003(iii)	4.5	0.7	–
31 December 2004	4.0	2.0	–
31 December 2005	5.2	5.9	–
31 December 2006	3.0	4.5	–
31 December 2007(iv)	5.0	5.3	–
31 December 2008	12.0	12.8	–
31 December 2009	4.0	4.3	–
31 December 2010	8.0	8.6	1.0
31 December 2011	5.0	5.4	2.5
31 December 2012	5.0	5.4	3.5
31 December 2013	5.0	5.4	5.0
31 December 2014	5.0	5.4	5.0
Total dividends paid to 31 December 2014	**77.7**	**65.7**	**17.0**
Net asset value as at 31 December 2014	**73.1**	**78.3**	**109.5**
Total shareholder return to 31 December 2014	**150.8**	**144.0**	**126.5**

In addition to the dividends paid above, the Board has declared a first dividend for the year ending 31 December 2015, of 2.5 pence per Ordinary share payable on 29 May 2015 to shareholders on the register as at 1 May 2015.

In accordance with the Articles of Association, on 31 March 2015, the D shares will convert to Ordinary shares on the basis of the net assets attributable to the Ordinary shares and the D shares as disclosed in the audited accounts for the year to 31 December 2014 and in accordance with the calculation as described and approved by shareholders' at the Extraordinary General Meeting on 28 October 2009. D shareholders will therefore receive 1.4975 Ordinary shares for each D share they currently own. As such current holders of D shares will receive a dividend of 2.5 pence per Ordinary share held post merger.

Notes
- *(i) Assuming subscription for Ordinary shares by the First Closing on 26 January 1999.*
- *(ii) Excludes tax benefits upon subscription.*
- *(iii) Those subscribing for C shares after 30 June 2003 were not entitled to the interim dividend.*
- *(iv) The C shares were converted into Ordinary shares on 31 March 2007, with a conversion of 1.0715 Ordinary shares for each C share. The net asset value per share and all dividends paid subsequent to the conversion of the C shares to the Ordinary shares are multiplied by the conversion factor of 1.0715 in respect of the C shares return, in order to give an accurate picture of the shareholder value since launch relating to the C shares.*

Chairman's statement

Introduction
The results for Albion Development VCT PLC for the year to 31 December 2014 showed total return of 4.0 pence per Ordinary share and 7.1 pence per D share, against 5.1 pence and 14.4 pence respectively for 2013.

Investment performance and progress
We had three exits in 2014; two were investments which date back to 2001, namely Peakdale Molecular and Consolidated Communications. The former resulted in a total return, including income received, of 2 times cost and the latter resulted in 1.4 times cost. In addition, we sold the successful Tower Bridge Health Club for a total return, including income, of 2.8 times cost. After the year end, our investment in Orchard Portman Group (which owns and operates a psychiatric hospital outside Taunton) was sold at a multiple, including interest income, of 1.6 times cost.

In the meantime, investment activity continued to be strong, with a total of £4.0 million invested for the Ordinary shares and £1.2 million for the D shares. Investments in new companies in the year by both pools of shares comprised £610,000 in Egress (email encryption products), £400,000 in Grapeshot (search software used in the online advertising market), £650,000 in Omprompt (IT products and services for the automation of order processing) and £840,000 into Exco Intouch (healthcare IT services for monitoring clinical trials).

Companies that performed particularly well during the period, in addition to those which were sold, included Lowcosttravel, which experienced continued international growth; Proveca, which saw strong advances in the development of its pipeline of drugs for paediatric use; and Radnor House School, which continues to grow and has recently agreed to purchase the Combe Bank School near Sevenoaks, which currently has 200 pupils and occupies a 35 acre freehold site.

Against this, the Weybridge Health Club saw a further reduction in its third party professional valuation against the background of a strong competitive environment, while Silent Herdsman and Aridhia Informatics experienced slower progress than hoped for. In addition, our investment in Helveta, which provided timber tracking services for the forest industry, suffered from a withdrawal of international aid to the sector, was placed into administration and the investment written off.

Merger of the Ordinary shares and D shares
As originally planned when the D shares where launched in 2009, the Ordinary shares and the D shares are now due to merge based on their respective net asset values at 31 December 2014. The D shares have had a successful record, with net asset value now at 109.5 pence after having paid dividends of 17 pence per share since launch. The shares will merge on the basis that each holder of a D share will get 1.4975 new Ordinary shares.

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

A detailed analysis of the other risks and uncertainties facing the business is shown in the Strategic report within the Annual Report and Financial Statements on pages 13 and 14.

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

During the year, the Company purchased in the market 877,700 Ordinary shares at a cost of £613,000, representing 2.3 per cent. of the opening shares in issue.

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

Results and dividends
As at 31 December 2014, the net asset value was 73.1 pence per Ordinary Share and 109.5 pence per D share. The Company will pay a first dividend for the financial year to 31 December 2015 of 2.5 pence per Ordinary share on 29 May 2015 to shareholders on the register on 1 May 2015.

Albion VCTs Prospectus Top Up Offers 2014/2015
Your Board, in conjunction with the boards of other VCTs managed by Albion Ventures LLP, launched a prospectus top up offer of new Ordinary shares on 17 November 2014 with Albion Development VCT PLC aiming to raise up to £6 million.

Chairman's statement (continued)

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

Continuation as a venture capital trust
At the 2015 Annual General Meeting members have the opportunity to confirm that they wish the Company to continue as a venture capital trust. Otherwise the Board is required to make proposals for the reorganisation, reconstruction or the orderly liquidation and winding up of the Company and present these to the members at a general meeting. Those shareholders who have been using their investment in the VCT to defer a capital gain should note that, on a return of capital, that gain would become chargeable at the prevailing rate of capital gains tax.

Since its launch, the Company has paid out dividends of 77.7 pence per Ordinary share, 65.7 pence per C share and 17.0 pence per D share. Total returns (net asset value plus dividends, but not counting the upfront tax benefits) of 150.8 pence per Ordinary share, 144.0 pence per C share and 126.5 pence per D share have been achieved.

Your Board believes that the Albion VCTs have the potential to be highly effective long-term savings vehicles, with strong tax-free dividend streams. Therefore, the Board recommends that shareholders should vote in favour of the Company continuing as a venture capital trust for a further five years, as they intend to vote in respect of their own shares.

Outlook and prospects
The merger of the two classes of share, combined with the current fundraising, will create an enlarged investment pool of approaching £40 million. The spread of investments within that pool is unusually broad and with good prospects for growth, both within the asset-backed segment and the growth and technology portion. Therefore, despite the generally muted outlook for economies globally, we believe our portfolio as a whole has good prospects for sustained growth and value creation.

Geoffrey Vero
Chairman
10 March 2015

Strategic report

Investment objective and policy

Venture Capital Trusts use tax relief to encourage private investors to help stimulate growth, employment and innovation in the United Kingdom. The Company's investment policy is intended to provide investors with a regular and predictable source of dividend income combined with the prospects of long term capital growth. This is achieved by establishing a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to manage and mitigate the risks normally associated with investment in such companies. It is intended that this will be achieved as follows:

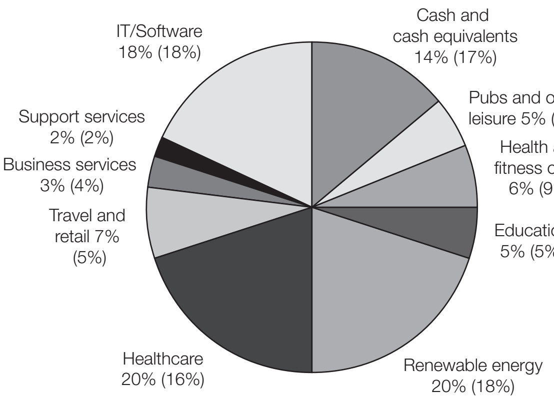
- Through investment in a number of higher risk companies with greater growth prospects in sectors such as software and computer services, and medical technology.
- This is balanced by investment in more stable, often asset-backed investments that provide a strong income stream. These include asset-based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

Funds held pending investment or for liquidity purposes will be held as cash on deposit or in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings assigned by international credit rating agencies.

Current portfolio sector allocation

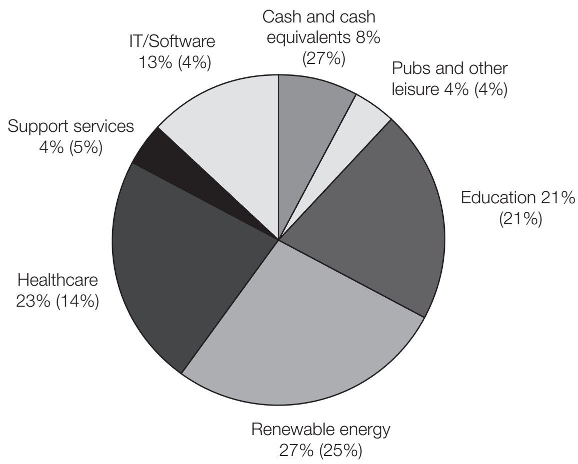
As mentioned above, it is intended that the Company's investment portfolio will be split between higher risk companies with greater growth prospects, balanced by investment in more stable companies, which are often asset-backed, that provide a strong income stream combined with a protection of capital. The pie charts below show the split of the portfolio valuation by industrial or commercial sector as at 31 December 2014. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 17 to 21.

Ordinary share investment portfolio by sector



Comparatives for 31 December 2013 are in brackets

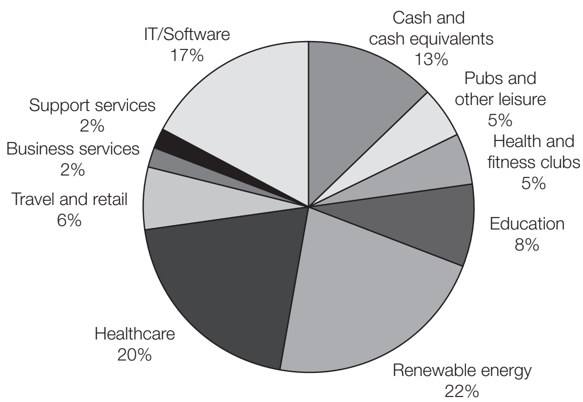
D share investment portfolio by sector



Comparatives for 31 December 2013 are shown in brackets

The following is the sector split as at 31 December 2014 once the two share class portfolios are combined:

Combined investment portfolio by sector



Source: Albion Ventures LLP

Direction of portfolio

The sector analysis of the combined VCT's investment portfolio shows that IT/Software now accounts for 17 per cent. compared to 18 per cent. for Ordinary shares and 4 per cent. for D shares in the previous financial year as a result of a number of new investments made in the IT sector including Grapeshot and Egress. We would anticipate both the IT/Software and Healthcare sectors increasing in importance in the current period, as they are areas that the manager has targeted for value creation and a good potential source of recurring income.

Renewable energy in the combined portfolio now accounts for 22 per cent. compared to 18 per cent. for Ordinary shares and 25 per cent. for D shares at the end of the previous financial year largely due to revaluation movements throughout the portfolio over the past year. 20 per cent, by cost in aggregate, is the limit set by the Board for renewable investments, so no further investment is planned in this sector.

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

Strategic report (continued)

Results and dividend policy

	Ordinary shares £'000	D shares £'000	Combined £'000
Net revenue return for the year ended 31 December 2014	363	190	553
Realised and unrealised capital gain for the year	1,111	263	1,374
Dividend of 2.5 pence per share paid on 30 May 2014	(911)	(159)	(1,070)
Dividend of 2.5 pence per share paid on 30 September 2014	(914)	(159)	(1,073)
Transferred (from)/to reserves	**(351)**	**135**	**(216)**
Net assets as at 31 December 2014	27,440	6,995	34,435
Net asset value per share as at 31 December 2014	**73.1p**	**109.5p**	

The Company paid dividends of 5.0 pence per Ordinary share and 5.0 pence per D share during the year (2013: 5.00 pence per Ordinary share and 5.0 pence per D share).

As described in the Chairman's statement the Board has declared a first dividend for the year ending 31 December 2015 of 2.5 pence per Ordinary share payable on 29 May 2015 to shareholders on the register as at 1 May 2015.

As shown in the Ordinary share's Income statement on page 40, the total investment income increased to £855,000 (2013: £731,000) due, in part, to higher interest received on loan stock investments during the year. The Ordinary share's total revenue return to equity holders has fallen to £363,000 (2013: £379,000), due to the non-recurring impairment of accrued interest (2013: £nil).

The Ordinary shares' total capital return for the year was £1,111,000 (2013: £1,335,000). This is mainly attributable to the unrealised revaluation movements in the Company's investment portfolio and by realised gains on disposal of investments, in particular Peakdale Molecular and Tower Bridge Health Club, offset by management fees charged to capital.

The Ordinary shares' total return was 4.0 pence per share (2013: 5.1 pence per share). The Ordinary shares' Balance sheet on page 42 shows that the net asset value has decreased over the last year to 73.1 pence per share (2013: 74.1 pence per share). The decrease in net asset value can be attributed to the payment of 5.0 pence per Ordinary share of dividends offset by movements in realised and unrealised gains and net revenue return.

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

The D shares' Income statement on page 40 shows a decrease in income to £296,000 (2013: £328,000) largely due to repayments on loan stock investments made during the year by Hilson Moran, Masters Pharmaceuticals and Radnor House School.

The D shares' total capital return was £263,000 (2013: £726,000) reflecting the unrealised revaluations in the Company's investment, offset by management fees charged to capital.

The D shares' total return was 7.1 pence per share (2013: 14.4 pence per share). The D shares' Balance sheet on page 43 shows a net asset value of 109.5 pence per share (2013: 107.4 pence per share). The increase in net asset value can be attributed to the factors described above, notwithstanding the payment of the dividend of 5.0 pence per D share during the year.

Review of business and outlook

The result for the year to 31 December 2014 show a total return of 150.8 pence per share since launch for Ordinary shares (2013: 146.8 pence per share) and 126.5 pence per share since launch for D shares (2013: 119.4 pence per share). We believe there should be further progress in the current year, with selected disposals and new investments, with particular focus in our core areas of healthcare, IT Software and education.

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.

A detailed review of the Company's business during the year is contained in the Chairman's statement on pages 6 and 7. Details of significant events which have occurred since the end of the financial year are listed in note 21. Details of transactions with the Manager are shown in note 5.

Future prospects

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

Conversion of D shares to Ordinary shares

As required under your Company's Articles of Association, the D shares convert into Ordinary shares on the ratio of their respective net asset values per share at 31 December 2014. The conversion is effective from 31 March 2015. Based on their respective net asset values, D shareholders will receive 1.4975 new Ordinary shares for each D share held. New share certificates will be sent out to shareholders by no later than 30 April 2015. Once the new Ordinary share certificates have been dispatched, the D share certificates will have no further value and should be destroyed.

The merged portfolio will comprise investments in 46 companies and will benefit from both the revenue generating maturity of the older companies within the Ordinary share portfolio and the growth potential of the D share portfolio.

Bearing in mind the projected income generation of the enlarged portfolio, combined with available reserves and cash resources, it will continue to be the Company's longer term target to pay out annual dividends of 5 pence per Ordinary share, so far as it is able.

Key performance indicators

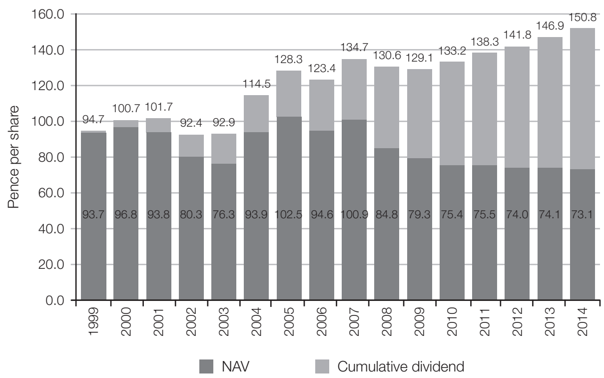
The Directors believe that the following key performance indicators, which are typical for venture capital trusts, used in its own assessment of the Company, will provide shareholders with sufficient information to assess how effectively the Company is applying its investment policy to meet its objectives.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

1. *Net asset value total return relative to FTSE All Share Index total return*

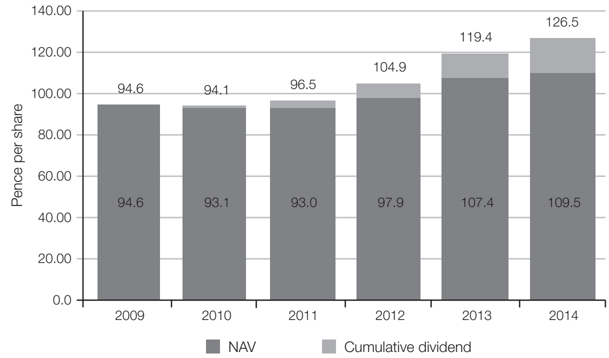
The graphs on page 4 shows the net asset value total return against the FTSE All-Share Index total return, in both instances with dividends reinvested. Details on the performance of the net asset value and return per share for the year are shown above.

2. *Net asset value per share and cumulative net asset value total shareholder return*

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



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



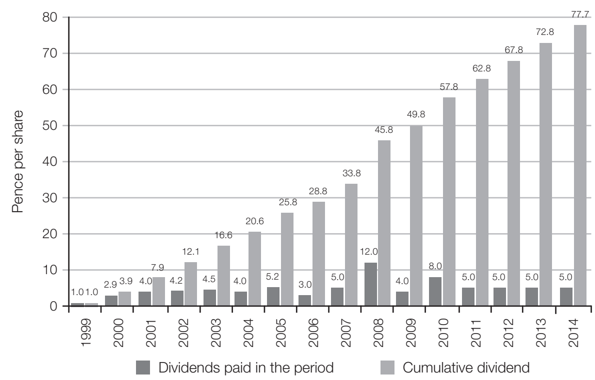
* Cumulative NAV total shareholder return is net asset value plus cumulative dividends paid since launch to 31 December 2014.

Net asset value decreased by 1.3 per cent. to 73.1 pence per Ordinary share and increased by 1.9 per cent. to 109.5 pence per D share for the year ended 31 December 2014.

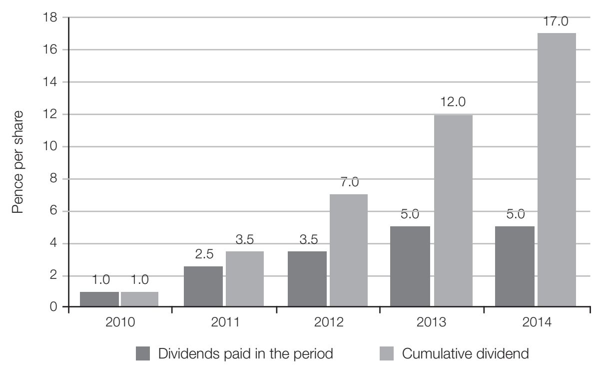
Cumulative net asset value total return to shareholders increased by 2.7 per cent. to 150.8 pence per Ordinary share and 5.9 per cent. to 126.5 pence per D share for the year ended 31 December 2014.

3. *Dividend distributions*

Ordinary shares – Dividends paid



D shares – Dividends paid



Dividends paid in respect of the year ended 31 December 2014 were 5.0 pence per Ordinary share (2013: 5.0 pence per

Strategic report (continued)

Ordinary share) and 5.0 pence per D share (2013: 5.0 pence per D share), in line with the Board's dividend objective. Cumulative dividends paid since inception are 77.7 pence per Ordinary share and 17.0 pence per D share.

4. Ongoing charges

The ongoing charges ratio for the year to 31 December 2014 was 2.9 per cent. (2013: 2.9 per cent.). The ongoing charges ratio has been calculated using the Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the next year to be approximately 2.9 per cent.

VCT Regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on page 25.

As part of the Government's wider review of the VCT regime, new rules have been introduced under the Finance Act 2014, which include:

- allowing investors to subscribe for shares via nominee accounts;
- restricting individuals' entitlement to VCT income tax relief where investments have been made within six months of a disposal of shares in the same VCT; and
- preventing VCTs from returning capital that does not relate to profits on investments within three years of the end of the accounting period in which shares were issued to investors.

The Directors do not believe that updates to the Finance Act would create a material change in the way the Company is currently run.

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 December 2014. These showed that the Company has compiled with all tests and continues to do so.

Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Conduct Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company. Further details of the fees paid to the Manager can be found in note 5.

Management agreement

Under the Management agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management agreement may be terminated by either party on 12 months' notice and is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 2.25 per cent. of the net asset value of the Company paid quarterly in arrears.

Total annual expenses, including the management fee, are limited to 3.0 per cent. of the net asset value.

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

Management performance incentive

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

As a result of the conversion of the D shares to Ordinary shares, the performance incentive will be amended to accommodate the fact that there will only be one class of share in the future. Given the fact that the enlarged pool of investments following the merger of the two share classes will be represented by share issues over two very different periods of time, the amended Management performance incentive will therefore be applied against the capital of the Company in proportion to the audited net asset values of the Ordinary shares and the D shares at 31 December 2014 and will be measured against the total return applicable to each of those share classes.

Strategic report (continued)

The revised management performance incentive is illustrated as follows:

Share class	Total return at 31 December 2014 (p)	Hurdle rate at 31 December 2014 (p)	Share class % of net assets
Ordinary share	150.8	180.2	80%
D share	126.5	130.9	20%

Any performance fee payable will be calculated based on the above hurdles, escalating at 6.5p per annum, and in respect of the relevant proportion of that share class' share of the Company's net assets as at 31 December 2014.

There was no management performance incentive fee payable during the year (2013: nil).

Evaluation of the Manager

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

Alternative Investment Fund Managers Directive ("AIFMD")

The Board has considered the impact on your Company of the AIFMD, an EU Directive that came into force in July 2013 to regulate the Managers of Alternative Investment Funds. The Board has appointed Albion Ventures LLP as the Company's AIFM as required by the AIFMD. Albion Ventures LLP's registration as an AIFM was approved by the Financial Conduct Authority on 3 June 2014.

Discount management and share buy-back policy

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

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

Further details of shares bought back during the year ended 31 December 2014 can be found in note 15 of the Financial Statements.

Social and community issues, employees and human rights

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

Further policies

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

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

and these are set out in the Directors' report on pages 25 and 26.

Strategic report (continued)

Risk management

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

Risk	Possible consequence	Risk management
Economic risk	Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and other factors could substantially and adversely affect the Company's prospects in a number of ways.	To reduce this risk, in addition to investing equity in portfolio companies, the Company often invests in secured loan stock and has a policy of not normally permitting any external bank borrowings within portfolio companies. Additionally, the Manager has been rebalancing the sector exposure of the portfolio with a view to reducing reliance on consumer led sectors.
Investment risk	This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders, and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes are more fragile than larger, long established businesses.	To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.
Valuation risk	The Company's investment valuation methodology is reliant on the accuracy and completeness of information that is issued by portfolio companies. In particular, the Directors may not be aware of or take into account certain events or circumstances which occur after the information issued by such companies is reported.	As described in note 2 of the Financial Statements, the unquoted equity investments, convertible loan stock and debt issued at a discount held by the Company are designated at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. These investments are valued on the basis of forward looking estimates and judgments about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgments the valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. All other unquoted loan stock is measured at amortised cost. The values of a number of investments are also underpinned by independent third party professional valuations.
VCT approval risk	The Company's current approval as a venture capital trust allows investors to take advantage of tax reliefs on initial investment and ongoing tax free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the tax relief on initial investment and loss of tax relief on any tax-free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.	To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Robertson Hare LLP as its taxation adviser. Robertson Hare LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a new portfolio company is also pre-cleared with H.M. Revenue & Customs.

Strategic report (continued)

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 or advising at senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditor, lawyers and other professional bodies.
Internal control risk	Failures in key controls, within the Board or within the Manager's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.	The Audit Committee meets with the Manager's Internal Auditor, PKF Littlejohn LLP, when required, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. Patrick Reeve, as a member of the Board, met with the internal audit Partner of PKF Littlejohn LLP in January 2015 to discuss the most recent Internal Audit Report on the Manager. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 32. Measures are in place to mitigate information risk in order to ensure the integrity, availability and confidentiality of information used within the business.
Reliance upon third parties risk	The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions.	There are provisions within the management agreement for the change of Manager under certain circumstances (for further detail, see the management agreement paragraph on page 11). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.
Financial risk	By its nature, as a venture capital trust, the Company is exposed to investment risk (which comprises investment price risk and cash flow interest rate risk), credit risk and liquidity risk.	The Company's policies for managing these risks and its financial instruments are outlined in full in note 19 to the Financial Statements. All of the Company's income and expenditure is denominated in sterling and hence the Company has no foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments for speculative purposes.
Reputational risk	Arises from broader performance and ethical issues including investment in businesses and sectors that are inconsistent with the values of Board and the VCT or, the Boards of investee companies take actions which similarly are inconsistent with the values of the VCT.	The Board clearly articulates to the Investment Manager it's broader aims and standards including those sectors which are consistent with the values of the Board. The Board regularly reviews the performance and investment strategy of the Investment Manager. The Investment Manager periodically attends Board meetings of the VCT's investee companies and across the portfolio receives periodic management information and is alert to potential threats to reputation.

This Strategic report of the Company for the year ended 31 December 2014 has been prepared in accordance with the requirements of section 414A of the Companies Act 2006 (the "Act"). The purpose of this report is to provide Shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

On behalf of the Board,

Geoffrey Vero
Chairman
10 March 2015

The Board of Directors

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

Geoffrey Vero (Chairman), FCA (appointed 2 July 2007), has spent much of his career in venture capital, serving as a director of Causeway Capital Limited and ABN Amro Private Equity (UK) Limited which invested in small and medium sized unquoted businesses. He is a non-executive Chairman of EPE Special Opportunities Plc and a non-executive director of Numis Corporation Plc, where he chairs the Audit and Risk Committee.

Jonathan Thornton, MA, MBA, FCA (appointed 8 December 1998), has extensive experience in the management of unquoted investments. He was a director of Close Brothers Group plc from 1984 to 1998 and was responsible for establishing Close Brothers Private Equity LLP (now CBPE Capital), the private equity fund management arm of Close Brothers Group plc. Prior to this he worked for 3i plc and Cinven. Over the past 25 years he has been a non-executive director of a number of smaller unquoted companies which have raised institutional capital and he is an external member of the Manager's Investment Committee.

Dr Andrew Phillipps, PhD, MBA (appointed 30 October 2007). Andy co-founded Active Hotels, an online hotels reservation business in 1999. As chief executive, he grew the business to become a European market leader, before selling it to Priceline Inc. for US $161 million in 2004. He was retained to run Priceline's international operations until 2006. He subsequently bought into, and was chairman of the online restaurant booking company, Toptable, which was successfully sold to Opentable in Q4 2010 for US $55 million. He is currently an investor and director of a number of private companies and also lectures in entrepreneurship at INSEAD and London Business School.

Patrick Reeve, MA, ACA (appointed 12 November 2013) qualified as a chartered accountant before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, working in both the development capital and corporate finance divisions before establishing Albion Ventures (formerly Close Ventures Limited) in 1996. He is the managing partner of Albion Ventures and is also a director of Albion Enterprise VCT PLC and Albion Technology & General VCT PLC, both managed by Albion Ventures. He is also chief executive of Albion Community Power PLC, a member of the Audit Committee of University College London, and a director of UCL Business PLC, the technology transfer arm of the university, and is on the Council of the BVCA.

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

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

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

The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Conduct Authority and is the Manager of Albion Development VCT PLC. In addition to Albion Development VCT PLC, it manages a further five venture capital trusts, and currently has total funds under management of approximately £245 million.

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

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

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

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

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

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

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

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

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

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

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

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

Marco Yu, MPhil, MA, MRICS, spent two and a half years at Bouygues (UK), before moving to EC Harris in 2005 where he advised senior lenders on large capital projects. Since joining Albion Ventures in 2007 Marco has been involved in hotel, cinema, pub, residential property and garden centre investments and is, more recently, responsible for a number of renewable energy investments. Marco became an Investment Director in April 2014. Marco graduated from Cambridge University with a first class degree in economics and is a Chartered Surveyor.

Portfolio of investments

Ordinary shares

The following is a summary of investments as at 31 December 2014:

			As at 31 December 2014			As at 31 December 2013			
Asset-backed investments	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Chonais Holdings Limited	9.2	50.0	**1,705**	**26**	**1,731**	917	1	918	**25**
Radnor House School (Holdings) Limited	4.2	50.0	**709**	**652**	**1,361**	734	566	1,300	**111**
The Street by Street Solar Programme Limited	8.6	50.0	**896**	**301**	**1,197**	862	204	1,066	**97**
Orchard Portman Group (Taunton Hospital Limited)	4.7	50.0	**808**	**365**	**1,173**	585	149	734	**215**
Alto Prodotto Wind Limited	7.8	50.0	**705**	**241**	**946**	705	186	891	**55**
The Weybridge Club Limited	9.4	50.0	**1,548**	**(674)**	**874**	1,520	(354)	1,166	**(319)**
Bravo Inns II Limited	5.0	50.0	**820**	**12**	**832**	820	5	825	**7**
Albion Investment Properties Limited	48.4	100.0	**929**	**(150)**	**779**	929	(167)	762	**17**
Regenerco Renewable Energy Limited	6.4	50.0	**612**	**82**	**694**	612	40	652	**42**
Kensington Health Clubs Limited	4.9	50.0	**1,140**	**(492)**	**648**	1,124	(504)	620	**13**
The Q Garden Company Limited	16.6	50.0	**1,198**	**(776)**	**422**	1,198	(817)	381	**41**
The Charnwood Pub Company Limited	3.3	50.0	**982**	**(646)**	**336**	1,008	(675)	333	**30**
Dragon Hydro Limited	5.5	30.0	**233**	**48**	**281**	233	–	233	**48**
AVESI Limited	8.0	50.0	**248**	**26**	**274**	248	–	248	**26**
TEG Biogas (Perth) Limited	3.0	50.0	**182**	**19**	**201**	182	18	200	**1**
Greenenerco Limited	4.0	50.0	**140**	**48**	**188**	140	–	140	**48**
Bravo Inns Limited	2.6	50.0	**230**	**(85)**	**145**	230	(82)	148	**(3)**
Erin Solar Limited	4.3	50.0	**120**	**–**	**120**	120	–	120	–
Premier Leisure (Suffolk) Limited	6.2	47.4	**480**	**(375)**	**105**	480	(381)	99	**6**
Infinite Ventures (Goathill) Limited	0.5	24.0	**32**	**–**	**32**	–	–	–	–
Total asset-backed investments			**13,717**	**(1,378)**	**12,339**	12,647	(1,811)	10,836	**460**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year; including realised gains/(losses)

Portfolio of investments (continued)

Ordinary shares (continued)

			As at 31 December 2014			As at 31 December 2013			
Growth investments	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Blackbay Limited	7.4	34.9	**836**	**730**	**1,566**	819	799	1,618	**(69)**
Lowcosttravelgroup Limited	4.6	26.1	**435**	**1,093**	**1,528**	435	383	818	**710**
Mirada Medical Limited	7.2	45.0	**355**	**517**	**872**	240	612	852	**(95)**
Exco Intouch Limited	4.8	16.1	**720**	**19**	**739**	–	–	–	**19**
Relayware Limited	3.0	15.5	**680**	**17**	**697**	486	12	498	**4**
Proveca Limited	7.0	39.5	**371**	**205**	**576**	283	16	299	**188**
Aridhia Informatics Limited	1.5	6.7	**610**	**(90)**	**520**	510	5	515	**(95)**
Hilson Moran Holdings Limited	7.5	50.0	**247**	**256**	**503**	338	277	614	**2**
Egress Software Technologies Limited	4.0	22.6	**390**	**71**	**461**	–	–	–	**71**
Omprompt Limited	3.7	20.5	**450**	**5**	**455**	–	–	–	**5**
DySIS Medical Limited	3.2	22.8	**479**	**(122)**	**357**	462	(9)	453	**(114)**
MyMeds&Me Limited	3.5	20.0	**315**	**(5)**	**310**	175	9	184	**(13)**
Process Systems Enterprise Limited	1.3	19.8	**118**	**186**	**304**	118	175	293	**11**
Rostima Holdings Limited	7.8	64.1	**300**	**–**	**300**	195	78	273	**(78)**
Cisiv Limited	1.9	9.9	**267**	**(1)**	**266**	193	3	196	**(4)**
Grapeshot Limited	2.3	12.7	**260**	**–**	**260**	–	–	–	**–**
Masters Pharmaceuticals Limited	1.3	20.8	**162**	**73**	**235**	175	51	226	**22**
AMS Sciences Limited	4.2	31.8	**222**	**(12)**	**210**	215	(30)	185	**18**
memsstar Limited	1.8	28.6	**124**	**41**	**165**	124	54	178	**(13)**
Abcodia Limited	1.7	21.4	**108**	**1**	**109**	68	–	68	**1**
Oxsensis Limited	1.4	20.6	**213**	**(120)**	**93**	213	(119)	94	**(1)**
Silent Herdsman Holdings Limited	6.4	34.0	**196**	**(107)**	**89**	156	–	156	**(107)**
Sandcroft Avenue Limited	0.8	5.3	**56**	**(6)**	**50**	–	–	–	**(6)**
Chichester Holdings Limited	6.7	50.0	**564**	**(523)**	**41**	700	(557)	143	**34**
Elements Software Limited	0.6	4.5	**3**	**–**	**3**	–	–	–	**–**
Total growth investments			**8,481**	**2,228**	**10,709**	5,905	1,759	7,663	**490**
Total unquoted fixed asset investments			**22,198**	**850**	**23,048**	18,552	(52)	18,499	**950**

	As at 31 December 2014			As at 31 December 2013			
AIM quoted investments	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Mi-Pay Group PLC	**772**	**(371)**	**401**	758	(260)	498	**(111)**
Total AIM quoted investments	**772**	**(371)**	**401**	758	(260)	498	**(111)**
Total fixed asset investments	**22,970**	**479**	**23,449**	19,310	(312)	18,997	**839**

Total change on value on investments for the year	**839**
Realised gain in current year	558
Movement in loan stock accrued interest (net of disposals)	74
Total gains on investments as per Income statement	**1,471**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year; including realised gains/(losses)

Portfolio of investments (continued)

Ordinary shares (continued)

The comparative cost and valuations for 31 December 2013 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2013 as the above list does not include brought forward investments that were fully disposed of in the year.

Fixed asset investment realisations in the year to 31 December 2014	**Cost £'000**	**Opening carrying value £'000**	**Disposal proceeds £'000**	**Total realised gain/(loss) £'000**	**Gain/(loss) on opening value £'000**
Peakdale Molecular Limited	908	1,071	1,363	455	292
Tower Bridge Health Club Limited	310	525	848	538	323
Consolidated PR Limited	623	50	189	(434)	139
Chichester Holdings Limited *(loan stock repayment)*	136	136	136	–	–
Hilson Moran Holdings Limited *(loan stock repayment)*	90	114	121	31	7
The Dunedin Pub Company VCT Limited	57	54	55	(2)	1
Radnor House School (Holdings) Limited *(loan stock repayment)*	25	49	49	24	–
The Charnwood Pub Company Limited *(loan stock repayment)*	33	33	33	–	–
Masters Pharmaceuticals Limited *(loan stock repayment)*	13	15	15	2	–
Helveta Limited	751	245	3	(748)	(242)
Total fixed asset investment realisations	**2,946**	**2,292**	**2,812**	**(134)**	**520**

Current asset investment realisations in the year to 31 December 2014	**Cost £'000**	**Opening carrying value £'000**	**Disposal proceeds £'000**	**Total realised gain £'000**	**Gain on opening value £'000**
Dexela Limited	–	30	68	68	38
Opta Sports Data Limited	–	6	6	6	–
Total current asset investment realisations	**–**	**36**	**74**	**74**	**38**

Total realisations	**2,946**	**2,328**	**2,886**	**(60)**	**558**

Portfolio of investments (continued)

D shares

The following is a summary of investments as at 31 December 2014:

			As at 31 December 2014			As at 31 December 2013			
Asset-backed investments	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the year** £'000
Radnor House School (Holdings) Limited	4.6	50.0	772	727	1,499	800	631	1,431	121
Regenerco Renewable Energy Limited	5.5	50.0	528	70	598	528	35	563	35
The Street by Street Solar Programme Limited	3.8	50.0	395	133	528	380	90	470	43
TEG Biogas (Perth) Limited	7.1	50.0	428	46	474	428	43	471	3
Bravo Inns II Limited	1.7	50.0	260	15	275	260	14	274	1
Alto Prodotto Wind Limited	1.5	50.0	137	47	184	137	36	173	11
AVESI Limited	2.5	50.0	76	8	84	76	–	76	8
Total asset-backed investments			2,596	1,046	3,642	2,609	849	3,458	222
Growth investments									
Masters Pharmaceuticals Limited	3.1	20.8	405	181	586	437	126	563	61
Hilson Moran Holdings Limited	4.0	50.0	132	136	268	180	148	328	4
Egress Software Technologies Limited	2.3	22.6	220	40	260	–	–	–	40
Relayware Limited	0.9	15.5	215	5	220	154	4	158	1
Omprompt Limited	1.6	20.5	200	2	202	–	–	–	2
Proveca Limited	2.4	39.5	129	72	201	98	5	103	66
Aridhia Informatics Limited	0.5	6.7	215	(31)	184	180	2	182	(35)
Grapeshot Limited	1.2	12.7	140	–	140	–	–	–	–
Orchard Portman Group (Taunton Hospital Limited)	0.5	50.0	117	20	137	–	–	–	21
Exco Intouch Limited	0.8	16.1	120	3	123	–	–	–	3
MyMeds&Me Limited	1.2	20.0	108	(1)	107	60	3	63	(5)
Abcodia Limited	2.1	21.4	100	1	101	85	–	85	1
Mirada Medical Limited	0.6	45.0	99	(1)	98	–	–	–	(1)
Cisiv Limited	0.6	9.9	83	–	83	60	1	61	(1)
Sandcroft Avenue Limited	0.7	5.3	49	(6)	43	–	–	–	(6)
Silent Herdsman Holdings Limited	2.1	34.0	64	(35)	29	51	–	51	(35)
Total growth investments			2,396	386	2,782	1,305	289	1,594	116
Total fixed asset investments			4,992	1,432	6,424	3,914	1,138	5,052	338

Total change on value on investments for the year	**338**
Realised gain in current year	5
Movement in loan stock accrued interest (net of disposals)	3
Total gains on investments as per Income statement	**346**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

The comparative cost and valuations for 31 December 2013 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2013 as the above list does not include brought forward investments that were fully disposed of in the year.

Portfolio of investments (continued)

D shares (continued)

Investment realisations in the year to 31 December 2014	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain £'000	Gain on opening value £'000
Hilson Moran Holdings Limited *(loan stock repayment)*	48	61	65	17	4
Radnor House School (Holdings) Limited *(loan stock repayment)*	27	53	53	26	–
Masters Pharmaceuticals Limited *(loan stock repayment)*	32	37	38	6	1
Total realisations	**107**	**151**	**156**	**49**	**5**

Portfolio companies

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

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

Radnor House School (Holdings) Limited

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

	Audited results year to 31 August 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	3,602	Income recognised in the year	54	59
EBITDA	1,105	Total cost	709	772
Profit before tax	168	Total valuation	1,361	1,499
Net liabilities	(156)	Voting rights	4.2 per cent.	4.6 per cent.
Basis of valuation:	Net asset value supported by third party valuation			

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

Chonais Holdings Limited

A company that operates a 2 megawatt hydro-power scheme in the Scottish Highlands.

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

		Investment information	Ordinary shares £'000	D shares £'000
		Income recognised in the year	58	–
		Total cost	1,705	–
		Total valuation	1,731	–
Basis of valuation:	Cost	Voting rights	9.2 per cent.	–

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

The Street by Street Solar Programme Limited

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

	Audited results year to 30 November 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
		Income recognised in the year	82	36
		Total cost	896	395
Net assets	834	Total valuation	1,197	528
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	8.6 per cent.	3.8 per cent.

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

Blackbay Limited

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

	Audited results year to 31 December 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	10,053	Income recognised in the year	51	–
EBITDA	301	Total cost	836	–
Loss before tax	(361)	Total valuation	1,566	–
Net liabilities	(2,525)	Voting rights	7.4 per cent.	–
Basis of valuation:	Revenue multiple			

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

Lowcosttravelgroup Limited

The company is an online travel business specialising in dynamic packages to the Mediterranean and the Balearic Islands.

	Audited results year to 31 October 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	49,137	Income recognised in the year	9	–
Profit before tax	4,686	Total cost	435	–
Net assets	12,391	Total valuation	1,529	–
Basis of valuation:	Earnings multiple	Voting rights	4.6 per cent.	–

Website: www.lowcostholidays.com
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 26.1 per cent.

Portfolio companies (continued)

Orchard Portman Group (Taunton Hospital Limited)

The company operates a mental health hospital in Taunton, Somerset.

	Audited results year to 30 April 2014 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	1,024	Income recognised in the year	33	3
EBITDA	40	Total cost	808	117
Loss before tax	(138)	Total valuation	1,173	138
Net assets	601	Voting rights	4.7 per cent.	0.5 per cent.
Basis of valuation:	Agreed offer price			

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

Regenerco Renewable Energy Limited

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

	Audited results year to 31 December 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
		Income recognised in the year	54	47
Net assets	780	Total cost	612	528
Basis of valuation:	Net asset value supported	Total valuation	694	598
	by third party valuation	Voting rights	6.4 per cent.	5.5 per cent.

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

Alto Prodotto Wind Limited

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

	Audited results year to 31 March 2014 £'000	Investment information	Ordinary shares £'000	D shares £'000
		Income recognised in the year	80	14
Net assets	1,541	Total cost	705	137
Basis of valuation:	Net asset value supported	Total valuation	946	184
	by third party valuation	Voting rights	7.8 per cent.	1.5 per cent.

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

Bravo Inns II Limited

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

	Audited results year to 31 March 2014 £'000	Investment information	Ordinary shares £'000	D shares £'000
		Income recognised in the year	68	23
Net assets	3,233	Total cost	820	260
Basis of valuation:	Net asset value supported	Total valuation	832	275
	by third party valuation	Voting rights	5.0 per cent.	1.7 per cent.

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

Mirada Medical Limited

The company develops advanced medical imaging software to help healthcare professionals effectively and efficiently improve cancer care.

	Audited results year to 31 December 2013 £'000	Investment information	Ordinary shares £'000	D shares £'000
		Income recognised in the year	15	2
		Total cost	355	99
Net assets	246	Total valuation	873	98
Basis of valuation:	Revenue multiple	Voting rights	7.2 per cent.	0.6 per cent.

Website: www.mirada-medical.com
Other funds managed and advised by Albion Ventures LLP have invested in this company and have a combined equity holding of 45.0 per cent.

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

Directors' report

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Development VCT PLC (the "Company") for the year ended 31 December 2014.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ('HMRC') as a venture capital trust in accordance with the Income Tax Act 2007 and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007 and further details of this can be found on page 11 of the Strategic report. Approval for the year ended 31 December 2014 is subject to review should there be any subsequent enquiry under corporation tax self-assessment.

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

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

Capital structure

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

The Company's share capital comprises Ordinary shares and D shares. As at 31 December 2014, Ordinary shares represented 85.5 per cent. of the total voting rights and D shares 14.5 per cent. of the total voting rights.

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

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

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

Conversion of D shares and Ordinary shares

In accordance with the Articles of Association, on 31 March 2015, the D shares will convert to Ordinary shares on the basis of the net assets attributable to the Ordinary shares and the D shares as disclosed in the audited accounts for the year to 31 December 2014 and in accordance with the calculation as described and approved by shareholders' at the Extraordinary General Meeting on 28 October 2009. D shareholders will therefore receive 1.4975 Ordinary shares for each D share they currently own. Following receipt of the new Ordinary share certificates, the existing D share certificates will be worthless and should be destroyed. New certificates will be sent to D shareholders on or before 30 April 2015.

Issue and buy-back of Ordinary shares and D shares

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on www.albion-ventures.co.uk/ourfunds/AADV.htm under the Dividend Reinvestment Scheme section found in the Investor Centre. During the year, the Company issued 288,791 new Ordinary shares and 32,218 D shares under the Dividend Reinvestment Scheme. Further details are shown in note 15.

The Company launched the Albion VCTs Top Up Offers 2013/2014 in November 2013. This closed on 14 March 2014 and shares issued are detailed in note 15. The Company subsequently engaged in the Albion VCTs Prospectus Top Up Offers 2013/2014 for which a prospectus was published, this closed on 30 September 2014 and shares issued are detailed in note 15.

In November 2014, the Company engaged in the Albion VCTs Prospectus Top Up Offers 2014/2015 for which a prospectus was published, copies of which are available on the Manager's website at www.albion-ventures.co.uk.

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

Substantial interests and shareholder profile

As at 31 December 2014 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the aggregate voting rights of the Company. There have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 December 2014, and to the date of this report.

Directors' report (continued)

Future developments of the business

Details on the future developments of the business can be found on page 7 of the Chairman's statement and on page 9 of the Strategic report.

Results and dividends

Detailed information on the results and dividends for the year ended 31 December 2014 can be found in the Strategic report on pages 8 to 11.

Going concern

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

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

Post balance sheet events

Details of events that have occurred since 31 December 2014 are shown in note 21.

Principal risks and uncertainties

A summary of the principal risks faced by the Company is set out on pages 13 to 14 of the Strategic report.

VCT Regulation

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

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

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

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

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

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

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

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any portfolio company. The tests have been carried out and independently reviewed for the year ended 31 December 2014. The Company has complied with all tests and continues to do so.

'Qualifying holdings' include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the pie charts on page 8.

Portfolio company gross assets must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter. No company may receive more than £5 million in aggregate from all state-aided providers of risk capital, including VCTs, in the 12 month period up to and including the most recent such investment.

Environment

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

Global greenhouse gas emissions

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources under

Directors' report (continued)

the Companies Act 2006 (Strategic Report and Directors' Reports) regulations 2014, including those within our underlying investment portfolio.

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

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

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

More details on the Directors can be found in the Board of Directors section on page 15.

The Manager has an equal opportunities policy and currently employees 13 men and 10 women.

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

Directors
The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown in the Directors' remuneration report on page 35.

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

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

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

Re-election and election of Directors
Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code. At the forthcoming Annual General Meeting, in accordance with the Articles; Jonathan Thornton, having served as a Director for longer than nine years, will retire and offer himself for re-election. Patrick Reeve is not considered to be independent, as he is the managing partner of the Manager, Albion Ventures LLP, and will therefore also retire and offer himself for re-election at the forthcoming Annual General Meeting.

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

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

Auditor
The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services. Further details of this evaluation can be found in the Audit Committee section in the Statement of Corporate Governance on pages 30 to 31. A resolution to re-appoint BDO LLP will be put to the Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London, EC2N 1DS at 12:00pm on 4 June 2015. The notice of the Annual General Meeting is at the end of this document.

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

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply

Directors' report (continued)

either with the Companies Act or the Listing Rules of the Financial Conduct Authority.

Continuation as a venture capital trust and amendment of Article 130
Ordinary resolution number 7 proposes the continuation of the Company as a venture capital trust. Under the Articles of Association of the Company, the Directors are required to procure that an ordinary resolution to approve the continuation of the Company as a venture capital trust is proposed at the Annual General Meeting in 2015 and every five years thereafter. The Directors consider that it is more usual in the VCT market for resolutions of this nature to be proposed every 10 years and accordingly resolution 8 in the Notice of AGM is a special resolution to amend Article 130 to provide for the continuation resolution to be proposed in 2025 and every 10 years thereafter.

Power to allot shares
Ordinary resolution number 9 will request the authority to allot up to 20 per cent. of the combined issued share capital after the conversion of D shares to Ordinary shares of the Company as at 31 March 2015.

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

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

The Company currently holds 4,306,700 Ordinary shares in treasury representing 10.3 per cent. of the Ordinary share capital in issue as at 31 December 2014.

The Company currently holds 25,625 D shares in treasury representing 0.4 per cent. of the D share capital in issue as at 31 December 2014.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2014. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date that this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

Dis-application of pre-emption rights
Special resolution number 10 will request authority for Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum of 20 per cent. of the combined issued Ordinary share capital of the Company as at the date of this Report, after the conversion of D shares to Ordinary shares.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2014. The authority sought at the forthcoming Annual General Meeting will expire 18 months from the date this resolution is passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier. Members should note that this resolution also applies to treasury shares.

Purchase of own shares
Special resolution number 11 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital and issued D share capital at, or between, the minimum and maximum prices specified in resolution 11. Shares bought back under this authority may be cancelled or 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 2014 authority, which was on similar terms. During the financial year under review, the Company purchased 272,000 Ordinary shares for cancellation and 605,700 Ordinary shares for treasury. No D shares were purchased for cancellation or for treasury. Further information is shown in note 15.

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

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

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

Notice of general meetings
Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (Annual General Meetings will continue to be held on at least 21 clear days' notice).

Directors' report (continued)

Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an Annual General Meeting on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability resolution 13, seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

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

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

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

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

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

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

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

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

Directors' responsibilities pursuant to Disclosure and Transparency Rule 4 of the UK Listing Authority
The Directors confirm to the best of their knowledge:

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

Disclosure of information to the Auditor
In the case of the persons who are Directors of the Company at the date of approval of this report:

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

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

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King's Arms Yard
London, EC2R 7AF
10 March 2015

Statement of corporate governance

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

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

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

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

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

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

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

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

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 15. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the UK Corporate Governance Code, the Company has in place Directors' & Officers' Liability Insurance.

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to experience and balance of skills. Further details on the recruitment of new directors can be found in the Nomination Committee section on pages 31 to 32.

The Board met four times during 2014 as part of its regular programme of Board meetings. In addition, and in accordance with best practice, a further meeting took place without the Manager present. All of the Directors attended each meeting. A sub-committee comprising at least two directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the various Albion VCTs Top Up Offers. A sub-committee comprising at least two Directors also met during the year to approve the terms and contents of the Offer documents under the Albion VCTs Prospectus Top Up Offers 2014/2015.

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

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

- the appointment, evaluation, removal and remuneration of the Manager;

Statement of corporate governance (continued)

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

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

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

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

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

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

As a result of the performance evaluation process, Jonathan Thornton and Patrick Reeve, both of whom are subject to re-election at the forthcoming Annual General Meeting, are considered to be effective Directors and demonstrate strong commitment to the role. The Board believes it to be in the best interests of the Company to appoint these Directors at the forthcoming Annual General Meeting.

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

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

Audit Committee
The Audit Committee consists of all Directors, except Patrick Reeve, and Jonathan Thornton 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 December 2014; all members attended.

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

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

- formally reviewing the final Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring judgment and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the external Auditor and reviewing their findings;
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board;
- highlighting the key risks and specific issues relating to the Financial Statements including the reasonableness

of valuations, compliance with accounting standards and UK law, corporate governance and listing and disclosure rules as well as going concern. These issues were addressed through detailed review, discussion and challenge by the Board of these matters, as well as by reference to underlying technical information;
- advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- reporting to the Board on how it has discharged its responsibilities.

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

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

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

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

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

Relationship with the external Auditor
The Committee reviews the performance and continued suitability of the Company's external Auditor on an annual basis. They assess the external Auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external Auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. No non-audit services were provided during the financial year ended 31 December 2014.

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

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

In order to form a view of the effectiveness of the external audit process, the Committee took into account information from the Manager regarding the audit process, the formal documentation issued to the Audit Committee and the Board by the external Auditor regarding the external audit for the year ended 31 December 2014, and assessments made by individual Directors.

In 2007 the Committee undertook a tendering exercise for provision of audit services. As a result of this process, BDO LLP was appointed as Auditor with effect from 2008. The Audit Committee annually reviews and evaluates the standard and quality of service provided by the Auditor, as well as value for money in the provision of these services.

The current audit engagement partner has served five years in this role following the completion of the 31 December 2014 audit. The Audit Engagement rotation requirement allows a maximum rotation period of five years, and therefore a new audit engagement partner will be assigned to the audit for the year ending 31 December 2015.

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

Nomination Committee
The Nomination Committee consists of all Directors, except Patrick Reeve, with Geoffrey Vero as Chairman. The terms of reference of the Nomination Committee are to evaluate the

Statement of corporate governance (continued)

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

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

Internal control

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

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

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

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

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

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

Conflicts of interest

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

Capital structure and Articles of Association

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on page 24 of the Directors' report. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

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

Statement of corporate governance (continued)

Relationships with shareholders
The Company's Annual General Meeting on 4 June 2015 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

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

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

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

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

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

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

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

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

Statement of compliance
The Directors consider that the Company has complied throughout the year ended 31 December 2014 with all the relevant provisions set out in the Code issued in September 2012 and with the AIC Code of Corporate Governance. The Company continues to comply with the Code issued in September 2012, as at the date of this report.

By Order of the Board

Geoffrey Vero
Chairman
1 King's Arms Yard
London, EC2R 7AF
10 March 2015

Directors' remuneration report

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

Ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 4 June 2015 for the approval of the Annual Remuneration Report as set out below.

The current Remuneration Policy was approved by shareholders (97.5 per cent. of shareholders voted for the resolution) at the Annual General Meeting held on 19 June 2014 and will remain in place for a three year period.

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

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

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

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

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.

This policy will continue for the year ended 31 December 2015. An ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at least once every three years.

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

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

Shareholders' views in respect of Directors' remuneration are regarded highly and the Board encourages Shareholders' to attend its Annual General Meeting in order to communicate their thoughts, which it takes into account where appropriate when formulating its policy. At the last Annual General Meeting, 97.4 per cent. of shareholders voted for the resolution approving the Directors' Remuneration Report which shows significant Shareholder support.

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

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

Directors' remuneration
The following items have been audited.

Directors’ remuneration report (continued)

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

	31 December 2014 £’000	31 December 2013 £’000
Jonathan Thornton	**20.5**	20.5
Andrew Phillipps	**20.5**	20.5
David Pinckney*	**n/a**	9.0
Geoffrey Vero	**20.5**	20.5
Patrick Reeve	**–**	–
	61.5	70.5

* David Pinckney retired on 6 June 2013.

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

Each Director of the Company was remunerated personally through the Manager’s payroll which has been recharged to the Company.

In addition to Directors’ remuneration, the Company pays an annual premium in respect of Directors’ & Officers’ Liability Insurance of £8,586 (2013: £9,540).

Directors

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

	31 December 2014 Ordinary Shares	**D shares**	31 December 2013 Ordinary shares	D shares
Andrew Phillipps	**137,606**	**25,625**	137,606	25,625
Patrick Reeve	**64,832**	**42,798**	63,647	40,849
Jonathan Thornton	**93,713**	**10,400**	90,595	10,400
Geoffrey Vero	**25,820**	**10,400**	25,820	10,400
Total	**321,971**	**89,223**	317,668	87,274

There have been no further changes in the holdings of the Directors between 31 December 2014 and the date of this report.

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

The following items have not been audited.

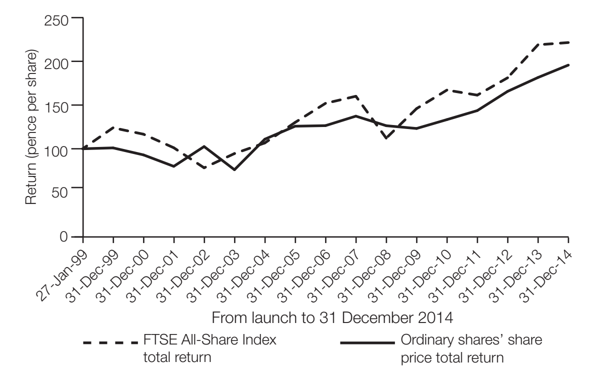
Partners and staff of Albion Ventures LLP (excluding Patrick Reeve’s holdings shown above) hold a total of 89,577 Ordinary and 87,599 D shares in the Company.

Performance graph

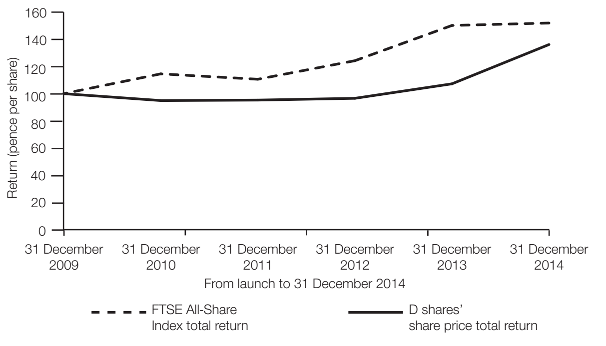
The graphs below show Albion Development VCT PLC’s Ordinary and D shares’ price total return against the FTSE All-Share Index total return, in both instances with dividends reinvested, since launch. The Directors consider this to be the most appropriate benchmark for the Company. Investors should, however,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

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

Ordinary shares’ share price total return relative to FTSE All-Share Index total return (in both cases with dividends reinvested)



D shares' share price total return relative to FTSE All-Share Index total return (in both cases with dividends reinvested)



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

Relative importance of spend on pay

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

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King’s Arms Yard
London, EC2R 7AF
10 March 2015

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

Our opinion on the financial statements
In our opinion the Albion Development VCT PLC financial statements for the year ended 31 December 2014:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

What our opinion covers
Our audit opinion on the financial statements covers the:

- Income Statement;
- Balance Sheet;
- Reconciliation of Movements in Shareholders' Funds;
- Cash Flow Statement; and
- related notes

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

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

Our approach
Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and, the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement. Below are those risks which we considered to have the greatest impact on our audit strategy and our audit response:

Risk area	Audit response
Valuation of investments: Valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the company.	We considered the design and implementation of controls in place over the valuation of investments and also reviewed the assumptions and underlying evidence supporting the year end valuations. In doing so, we reviewed the valuation reports prepared by the Investment Manager for all unquoted investments considering whether, in our professional judgement, the methodology is the most appropriate in the circumstances under the IPEV guidelines and, for a risk-determined sample of the investments we: ● Re-performed the calculation of the investment valuation; ● Verified key inputs to the valuation to independent information; ● Benchmarked key inputs and estimates to independent information and our own research; ● Where appropriate, performed sensitivity analyses on the valuation calculations where, in our opinion, there was sufficient evidence to suggest reasonable alternative inputs might exist; ● Challenged the Investment Manager regarding significant judgements made; and ● Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation.

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

Risk area	Audit response
Revenue recognition: Revenue consists of loan stock interest, dividends receivable from investee companies and interest earned cash balances. Revenue recognition is a presumed risk under International Standards on Auditing (UK & Ireland).	● We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid; ● We considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest; ● We reviewed the recognition and classification of any accrued income, considering the appropriateness of the classification of income between revenue and capital in the Income Statement; and ● We tested dividends receivable to cash received, as well as to supporting documentation and management accounts of the investee companies.

The Audit Committee's consideration of their key issues is set out on page 31.

Materiality in context

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

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	● The value of net assets ● The level of judgement inherent in the valuation ● The range of reasonable alternative valuation	560,000
Specific materiality – classes of transactions and balances which impact on net realised returns	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	● Revenue return before taxation	65,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £6,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on page 32 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

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

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

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 25, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Rhodri Whitlock (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
10 March 2015

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

Income statement

		Combined Year ended 31 December 2014			Combined Year ended 31 December 2013		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	1,817	1,817	–	2,474	2,474
Investment income	4	1,151	–	1,151	1,059	–	1,059
Investment management fees	5	(187)	(562)	(749)	(177)	(532)	(709)
Other expenses	6	(305)	–	(305)	(196)	–	(196)
Return on ordinary activities before tax		659	1,255	1,914	686	1,942	2,628
Tax (charge)/credit on ordinary activities	8	(106)	119	13	(114)	119	5
Return attributable to shareholders		553	1,374	1,927	572	2,061	2,633

The accompanying notes on pages 50 to 67 form an integral part of these Financial Statements.

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

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

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

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

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

Income statement (non-statutory analysis)

		Ordinary shares Year ended 31 December 2014			Ordinary shares Year ended 31 December 2013		
	Note	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	**–**	**1,471**	**1,471**	–	1,665	1,665
Investment income	4	**855**	**–**	**855**	731	–	731
Investment management fees	5	**(148)**	**(446)**	**(594)**	(141)	(422)	(563)
Other expenses	6	**(259)**	**–**	**(259)**	(152)	–	(152)
Return on ordinary activities before tax		**448**	**1,025**	**1,473**	438	1,243	1,681
Tax (charge)/credit on ordinary activities	8	**(85)**	**86**	**1**	(59)	92	33
Return attributable to shareholders		**363**	**1,111**	**1,474**	379	1,335	1,714
Basic and diluted return per share (pence)*	10	**1.0**	**3.0**	**4.0**	1.1	4.0	5.1

		D shares Year ended 31 December 2014			D shares Year ended 31 December 2013		
	Note	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	**–**	**346**	**346**	–	809	809
Investment income	4	**296**	**–**	**296**	328	–	328
Investment management fees	5	**(39)**	**(116)**	**(155)**	(36)	(110)	(146)
Other expenses	6	**(46)**	**–**	**(46)**	(44)	–	(44)
Return on ordinary activities before tax		**211**	**230**	**441**	248	699	947
Tax (charge)/credit on ordinary activities	8	**(21)**	**33**	**12**	(55)	27	(28)
Return attributable to shareholders		**190**	**263**	**453**	193	726	919
Basic and diluted return per share (pence)*	10	**3.0**	**4.1**	**7.1**	3.0	11.4	14.4

* *excluding treasury shares*

The accompanying notes on pages 50 to 67 form an integral part of these Financial Statements.

Balance sheet

	Note	Combined 31 December 2014 £'000	Combined 31 December 2013 £'000
Fixed asset investments	11	**29,873**	25,997
Current assets			
Trade and other debtors	13	**201**	99
Current asset investments	13	**–**	36
Cash at bank and in hand	17	**4,645**	6,210
		4,846	6,345
Creditors: amounts falling due within one year	14	**(284)**	(340)
Net current assets		**4,562**	6,005
Net assets		**34,435**	32,002
Capital and reserves			
Called up share capital	15	**482**	441
Share premium		**5,560**	2,343
Capital redemption reserve		**12**	8
Unrealised capital reserve		**1,954**	125
Realised capital reserve		**4,500**	3,772
Other distributable reserve		**21,927**	25,313
Total equity shareholders' funds		**34,435**	32,002

The accompanying notes on pages 50 to 67 form an integral part of these Financial Statements.

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

These Financial Statements were approved by the Board of Directors, and authorised for issue on 10 March 2015 and were signed on its behalf by

Geoffrey Vero
Chairman

Company number: 03654040

Balance sheet (non-statutory analysis)

	Note	**Ordinary shares 31 December 2014 £'000**	Ordinary shares 31 December 2013 £'000
Fixed asset investments	11	**23,449**	20,945
Current assets			
Trade and other debtors	13	**195**	95
Current asset investments	13	**–**	36
Cash at bank and in hand	17	**4,010**	4,330
		4,205	4,461
Creditors: amounts falling due within one year	14	**(214)**	(231)
Net current assets		**3,991**	4,230
Net assets		**27,440**	25,175
Capital and reserves			
Called up share capital	15	**418**	377
Share premium		**5,488**	2,304
Capital redemption reserve		**12**	8
Unrealised capital reserve		**544**	(987)
Realised capital reserve		**4,494**	3,731
Other distributable reserve		**16,484**	19,742
Total equity shareholders' funds		**27,440**	25,175
Basic and diluted net asset value per share (pence)*	16	**73.1**	74.1

* *excluding treasury shares*

The accompanying notes on pages 50 to 67 form an integral part of these Financial Statements.

Balance sheet (non-statutory analysis)

	Note	D shares 31 December 2014 £'000	D shares 31 December 2013 £'000
Fixed asset investments	11	**6,424**	5,052
Current assets			
Trade and other debtors	13	**6**	4
Cash at bank and in hand	17	**635**	1,880
		641	1,884
Creditors: amounts falling due within one year	14	**(70)**	(109)
Net current assets		**571**	1,775
Net assets		**6,995**	6,827
Capital and reserves			
Called up share capital	15	**64**	64
Share premium		**72**	39
Unrealised capital reserve		**1,410**	1,112
Realised capital reserve		**6**	41
Other distributable reserve		**5,443**	5,571
Total equity shareholders' funds		**6,995**	6,827
Basic and diluted net asset value per share (pence)*	16	**109.5**	107.4

** excluding treasury shares*

The accompanying notes on pages 50 to 67 form an integral part of these Financial Statements.

Reconciliation of movements in shareholders' funds

Combined

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 January 2014	**441**	**2,343**	**8**	**125**	**3,772**	**25,313**	**32,002**
Return for the year	**–**	**–**	**–**	**1,254**	**120**	**553**	**1,927**
Transfer of unrealised losses to realised losses	**–**	**–**	**–**	**575**	**(575)**	**–**	**–**
Cancellation of treasury shares	**(1)**	**–**	**1**	**–**	**–**	**–**	**–**
Purchase of shares for cancellation	**(3)**	**–**	**3**	**–**	**–**	**(190)**	**(190)**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(423)**	**(423)**
Issue of equity (net of costs)	**45**	**3,217**	**–**	**–**	**–**	**–**	**3,262**
Transfer from other distributable reserve to realised capital reserve	**–**	**–**	**–**	**–**	**1,183**	**(1,183)**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(2,143)**	**(2,143)**
As at 31 December 2014	**482**	**5,560**	**12**	**1,954**	**4,500**	**21,927**	**34,435**
As at 1 January 2013	421	392	2	(2,046)	3,326	28,010	30,105
Return/(loss) for the year	–	–	–	2,253	(191)	572	2,633
Transfer of unrealised gains to realised gains	–	–	–	(82)	82	–	–
Purchase of shares for treasury	–	–	–	–	–	(261)	(261)
Purchase of shares for cancellation	(6)	–	6	–	–	(441)	(441)
Issue of equity (net of costs)	26	1,951	–	–	–	–	1,977
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	555	(555)	–
Dividends paid	–	–	–	–	–	(2,012)	(2,012)
As at 31 December 2013	441	2,343	8	125	3,772	25,313	32,002

* Included within these reserves is an amount of £26,427,000 (2013: £29,085,000) which is considered distributable.

A transfer of £1,183,000 (2013: £555,000) representing gross realised losses on disposal of investments during the year ended 31 December 2014 has been made from the other distributable reserve to the realised capital reserve.

Reconciliation of movements in shareholders' funds

Ordinary shares (non-statutory analysis)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 January 2014	**377**	**2,304**	**8**	**(987)**	**3,731**	**19,742**	**25,175**
Return for the year	**–**	**–**	**–**	**913**	**198**	**363**	**1,474**
Transfer of unrealised losses to realised losses	**–**	**–**	**–**	**618**	**(618)**	**–**	**–**
Cancellation of treasury shares	**(1)**	**–**	**1**	**–**	**–**	**–**	**–**
Purchase of shares for cancellation	**(3)**	**–**	**3**	**–**	**–**	**(190)**	**(190)**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(423)**	**(423)**
Issue of equity (net of costs)	**45**	**3,184**	**–**	**–**	**–**	**–**	**3,229**
Transfer from other distributable reserve to realised capital reserve	**–**	**–**	**–**	**–**	**1,183**	**(1,183)**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(1,825)**	**(1,825)**
As at 31 December 2014	**418**	**5,488**	**12**	**544**	**4,494**	**16,484**	**27,440**
As at 1 January 2013	357	383	2	(2,661)	3,514	22,265	23,860
Return/(loss) for the year	–	–	–	1,428	(92)	379	1,714
Transfer of unrealised losses to realised losses	–	–	–	246	(246)	–	–
Purchase of shares for treasury	–	–	–	–	–	(238)	(238)
Purchase of shares for cancellation	(6)	–	6	–	–	(414)	(414)
Issue of equity (net of costs)	26	1,921	–	–	–	–	1,947
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	555	(555)	–
Dividends paid	–	–	–	–	–	(1,695)	(1,695)
As at 31 December 2013	377	2,304	8	(987)	3,731	19,742	25,175

* Included within these reserves is an amount of £20,978,000 (2013: £22,486,000) which is considered distributable.

A transfer of £1,183,000 (2013: £555,000) representing gross realised losses on disposal of investments during the year ended 31 December 2014 has been made from the other distributable reserve to the realised capital reserve.

Reconciliation of movements in shareholders' funds

D shares (non-statutory analysis)

	Called-up share capital £'000	Share premium £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 January 2014	**64**	**39**	**1,112**	**41**	**5,571**	**6,827**
Return/(loss) for the year	**–**	**–**	**341**	**(78)**	**190**	**453**
Transfer of unrealised gains to realised gains	**–**	**–**	**(43)**	**43**	**–**	**–**
Issue of equity (net of costs)	**–**	**33**	**–**	**–**	**–**	**33**
Dividends paid	**–**	**–**	**–**	**–**	**(318)**	**(318)**
As at 31 December 2014	**64**	**72**	**1,410**	**6**	**5,443**	**6,995**
As at 1 January 2013	64	9	615	(188)	5,745	6,245
Return/(loss) for the year	–	–	825	(99)	193	919
Transfer of unrealised gains to realised gains	–	–	(328)	328	–	–
Purchase of shares for treasury	–	–	–	–	(23)	(23)
Purchase of shares for cancellation	–	–	–	–	(27)	(27)
Issue of equity (net of costs)	–	30	–	–	–	30
Dividends paid	–	–	–	–	(317)	(317)
As at 31 December 2013	64	39	1,112	41	5,571	6,827

* Included within these reserves is an amount of £5,449,000 (2013: £5,612,000) which is considered distributable.

Cash flow statement

	Note	Combined Year ended 31 December 2014 £'000	Combined Year ended 31 December 2013 £'000
Operating activities			
Loan stock income received		**1,012**	983
Deposit interest received		**67**	122
Dividend income received		**53**	25
Investment management fees paid		**(736)**	(699)
Other cash payments		**(195)**	(216)
Net cash flow from operating activities	18	**201**	215
Taxation			
UK corporation tax paid		**–**	(24)
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(5,157)**	(3,697)
Disposal of fixed asset investments		**2,814**	2,809
Disposal of current asset investments		**71**	512
Net cash flow from investing activities		**(2,272)**	(376)
Equity dividends paid			
Dividends paid (net of cost of shares issued under the Dividend Reinvestment Scheme)		**(1,909)**	(1,846)
Net cash flow before financing		**(3,980)**	(2,031)
Financing			
Issue of share capital (net of costs)		**3,029**	1,812
Purchase of own shares (including costs)	15	**(614)**	(702)
Net cash flow from financing		**2,415**	1,110
Cash flow in the year	17	**(1,565)**	(921)

Cash flow statement (non-statutory analysis)

	Note	Ordinary shares Year ended 31 December 2014 £'000	Ordinary shares Year ended 31 December 2013 £'000
Operating activities			
Loan stock income received		**741**	686
Deposit interest received		**55**	83
Dividend income received		**39**	23
Investment management fees paid		**(582)**	(556)
Other cash payments		**(152)**	(166)
Net cash flow from operating activities	18	**101**	70
Taxation			
UK corporation tax recovered/(paid)		**28**	(24)
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(3,969)**	(3,124)
Disposal of fixed asset investments		**2,658**	1,486
Disposal of current asset investments		**71**	12
Net cash flow from investing activities		**(1,240)**	(1,626)
Equity dividends paid			
Dividends paid (net of cost of shares issued under Dividend Reinvestment Scheme)		**(1,624)**	(1,559)
Net cash flow before financing		**(2,735)**	(3,139)
Financing			
Issue of share capital (net of costs)		**3,029**	1,812
Purchase of own shares (including costs)	15	**(614)**	(652)
Net cash flow from financing		**2,415**	1,160
Cash flow in the year	17	**(320)**	(1,979)

Cash flow statement (non-statutory analysis)

	Note	D shares Year ended 31 December 2014 £'000	D shares Year ended 31 December 2013 £'000
Operating activities			
Loan stock income received		**271**	297
Deposit interest received		**12**	39
Dividend income received		**14**	2
Investment management fees paid		**(154)**	(143)
Other cash payments		**(43)**	(50)
Net cash flow from operating activities	18	**100**	145
Taxation			
UK corporation tax paid		**(28)**	–
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(1,188)**	(573)
Disposal of fixed asset investments		**156**	1,323
Disposal of current asset investments		**–**	500
Net cash flow from investing activities		**(1,032)**	1,250
Equity dividends paid			
Dividends paid (net of cost of shares issued under the Dividend Reinvestment Scheme)		**(285)**	(287)
Net cash flow before financing		**(1,245)**	1,108
Financing			
Purchase of own shares (including costs)	15	**–**	(50)
Net cash flow from financing		**–**	(50)
Cash flow in the year	17	**(1,245)**	1,058

Notes to the Financial Statements

1. Accounting convention

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

2. Accounting policies

Investments

Quoted and unquoted equity investments, debt issued at a discount, and convertible bonds

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

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

Warrants and unquoted equity derived instruments

Warrants and unquoted equity derived instruments are only valued if there is deemed to be additional value to the Company in exercising or converting as at the balance sheet date. Otherwise these instruments are held at nil value. The valuation techniques used are those used for the underlying equity investment.

Unquoted loan stock

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

For all unquoted loan stock, whether fully performing, past due or impaired, the Board considers that the fair value is equal to or greater than the security value of these assets. For unquoted loan stock, the amount of the movement is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the original effective interest rate. The future cash flows are estimated based on the fair value of the security less estimated selling costs.

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

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

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

In accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity as part of an investment portfolio are not accounted for using the equity method. In these circumstances the investment is accounted for according to FRS 26 "Financial instruments Recognition and Measurement" and measured at fair value through profit or loss.

Current asset investments

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

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

Investment income

Unquoted equity income

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

Unquoted loan stock income

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

Bank interest income

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

Investment management fees and other expenses

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

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

Notes to the Financial Statements (continued)

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

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

Dividends
In accordance with FRS 21 “Events after the balance sheet date”, dividends by the Company are accounted for in the period in which the dividend is paid or approved at the Annual General Meeting.

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

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

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

Realised capital reserve
The following are disclosed in this reserve:

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

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

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

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

Notes to the Financial Statements (continued)

3. Gains on investments

	Year ended 31 December 2014 Ordinary shares £'000	**D shares £'000**	**Total £'000**	Year ended 31 December 2013 Ordinary shares £'000	D shares £'000	Total £'000
Unrealised gains on fixed asset investments held at fair value through profit or loss	**953**	**318**	**1,271**	1,344	773	2,117
Unrealised (impairments)/reversals of impairments on fixed asset investments held at amortised cost	**(40)**	**23**	**(17)**	78	52	130
	913	**341**	**1,254**	1,422	825	2,247
Unrealised gains on current asset investments held at fair value through profit or loss	**–**	**–**	**–**	6	–	6
Unrealised gains sub-total	**913**	**341**	**1,254**	1,428	825	2,253
Realised gains/(losses) on investments held at fair value through profit or loss	**423**	**–**	**423**	286	(23)	263
Realised gains/(losses) on investments held at amortised cost	**97**	**5**	**102**	(49)	7	(42)
	520	**5**	**525**	237	(16)	221
Realised gains on current asset investments held at fair value through profit or loss	**38**	**–**	**38**	–	–	–
Realised gains/(losses) sub-total	**558**	**5**	**563**	237	(16)	221
	1,471	**346**	**1,817**	1,665	809	2,474

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

4. Investment income

	Year ended 31 December 2014 Ordinary shares £'000	**D shares £'000**	**Total £'000**	Year ended 31 December 2013 Ordinary shares £'000	D shares £'000	Total £'000
Income recognised on investments held at fair value through profit or loss						
Dividend income	**37**	**14**	**51**	25	2	27
Income from convertible bonds and discounted debt	**348**	**115**	**463**	206	94	300
	385	**129**	**514**	231	96	327
Income recognised on investments held at amortised cost						
Bank deposit interest	**55**	**11**	**66**	72	23	95
Return on loan stock investments	**415**	**156**	**571**	428	209	637
	470	**167**	**637**	500	232	732
	855	**296**	**1,151**	731	328	1,059

Interest income earned on impaired investments at 31 December 2014 amounted to £104,000 (2013: £122,000). These investments are all held at amortised cost.

Notes to the Financial Statements (continued)

5. Investment management fees

	Year ended 31 December 2014			Year ended 31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Investment management fee charged to revenue	**148**	**39**	**187**	141	36	177
Investment management fee charged to capital	**446**	**116**	**562**	422	110	532
	594	**155**	**749**	563	146	709

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on page 11.

During the year, services of a total value of £749,000 (2013: £709,000) were purchased by the Company from Albion Ventures LLP in respect of management fees. At the financial year end, the amount due to Albion Ventures LLP disclosed as accruals was £193,000 (2013: £180,000).

During the year, the Company was not charged by Albion Ventures LLP in respect of Patrick Reeve's services as a Director (2013: £nil).

Albion Ventures LLP is, from time to time, eligible to receive transaction fees and Directors' fees from portfolio companies. During the year ended 31 December 2014, fees of £212,000 attributable to the investments of the Company were received pursuant to these arrangements (2013: £176,000).

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

Albion Ventures LLP also holds 23,536 Ordinary shares as a result of the failure of an original subscriber to pay cleared funds on initial subscription.

6. Other expenses

	Year ended 31 December 2014			Year ended 31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Directors' fees (including NIC)	**52**	**14**	**66**	60	15	75
Other administrative expenses	**84**	**26**	**110**	72	24	96
Impairment of accrued interest	**102**	**–**	**102**	–	–	–
Auditor's remuneration for statutory audit services (excluding VAT)	**21**	**6**	**27**	20	5	25
	259	**46**	**305**	152	44	196

The impairment of accrued interest expense is considered to be non-recurring and therefore is excluded from the calculation of the ongoing charges ratio as noted on page 11 of the Strategic report.

7. Directors' fees

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

	Year ended 31 December 2014			Year ended 31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Directors' fees	**49**	**13**	**62**	57	14	71
National insurance	**3**	**1**	**4**	3	1	4
	52	**14**	**66**	60	15	75

Further information can be found in the Directors' remuneration report on page 35.

Notes to the Financial Statements (continued)

8. Tax (charge)/credit on ordinary activities

The Company's combined tax credit of £13,000 (2013 credit: £5,000) is analysed between the two share classes as follows:

	Year ended 31 December 2014			Year ended 31 December 2013		
Combined	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	**(128)**	**119**	**(9)**	(147)	119	(28)
UK corporation tax in respect of prior years	**22**	**–**	**22**	33	–	33
	(106)	**119**	**13**	(114)	119	5

	Year ended 31 December 2014			Year ended 31 December 2013		
Ordinary shares	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	**(86)**	**86**	**–**	(92)	92	-
UK corporation tax in respect of prior years	**1**	**–**	**1**	33	–	33
	(85)	**86**	**1**	(59)	92	33

	Year ended 31 December 2014			Year ended 31 December 2013		
D shares	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of current year	**(42)**	**33**	**(9)**	(55)	27	(28)
UK corporation tax in respect of prior years	**21**	**–**	**21**	–	–	–
	(21)	**33**	**12**	(55)	27	(28)

Factors affecting the tax credit/(charge):

	Year ended 31 December 2014			Year ended 31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Profit on ordinary activities before taxation	**1,473**	**441**	**1,914**	1,681	947	2,628
Tax on profit at the standard rate of 21.50 per cent. (2013: 23.25 per cent.)	**(317)**	**(95)**	**(412)**	(390)	(220)	(610)
Factors affecting the charge:						
Gains on investments not subject to tax	**317**	**74**	**391**	384	188	572
Non-taxable income	**8**	**3**	**11**	6	–	6
Unutilised management expenses	**(8)**	**8**	**–**	–	–	–
Marginal relief	**–**	**1**	**1**	–	4	4
Adjustment in respect of prior years	**1**	**21**	**22**	33	–	33
	1	**12**	**13**	33	(28)	5

The tax credit for the year shown in the Income statement is lower than the standard rate of corporation tax in the UK of 21.50 per cent. (2013: 23.25 per cent.). The differences are explained above.

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

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

Notes to the Financial Statements (continued)

9. Dividends

Ordinary shares	**Year ended 31 December 2014 £'000**	Year ended 31 December 2013 £'000
Dividend of 2.5p per Ordinary share paid on 31 May 2013	**–**	841
Dividend of 2.5p per Ordinary share paid on 30 September 2013	**–**	854
Dividend of 2.5p per Ordinary share paid on 30 May 2014	**911**	–
Dividend of 2.5p per Ordinary share paid on 30 September 2014	**914**	–
	1,825	1,695

D shares	**Year ended 31 December 2014 £'000**	Year ended 31 December 2013 £'000
Dividend of 2.5p per D share paid on 31 May 2013	**–**	159
Dividend of 2.5p per D share paid on 30 September 2013	**–**	158
Dividend of 2.5p per D share paid on 30 May 2014	**159**	–
Dividend of 2.5p per D share paid on 30 September 2014	**159**	–
	318	317

In addition to the dividends summarised above, the Board has declared a first dividend of 2.5 pence per Ordinary share for the year ending 31 December 2015, payable on 29 May 2015 to shareholders on the register as at 1 May 2015. The current holders of D Shares will receive a dividend of 2.5 pence per Ordinary Share held post merger. The total dividend will be approximately £1,227,000.

10. Basic and diluted return per share

	Year ended 31 December 2014			Year ended 31 December 2013		
Ordinary shares	**Revenue**	**Capital**	**Total**	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return attributable to equity shares (£'000)	**363**	**1,111**	**1,474**	379	1,335	1,714
Weighted average shares in issue (excluding treasury shares)		**36,282,578**			33,589,482	
Return attributable per equity share (pence)	**1.0**	**3.0**	**4.0**	1.1	4.0	5.1

The weighted average number of Ordinary shares is calculated excluding the treasury shares of 4,306,700 (2013: 3,769,000).

	Year ended 31 December 2014			Year ended 31 December 2013		
D shares	**Revenue**	**Capital**	**Total**	Revenue	Capital	Total
The return per share has been based on the following figures:						
Return attributable to equity shares (£'000)	**211**	**263**	**453**	193	726	919
Weighted average shares in issue (excluding treasury shares)		**6,369,555**			6,355,743	
Return attributable per equity share (pence)	**3.0**	**4.1**	**7.1**	3.0	11.4	14.4

The weighted average number of D shares is calculated excluding the treasury shares of 25,625 (2013: 25,625).

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

Notes to the Financial Statements (continued)

11. Fixed asset investments

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

	31 December 2014			31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Investments held at fair value through profit or loss						
Unquoted equity and preference shares	**9,416**	**2,933**	**12,349**	8,264	1,972	10,236
Quoted equity	**401**	**–**	**401**	–	–	–
Discounted debt and convertible loan stock	**6,313**	**1,793**	**8,106**	5,008	1,531	6,539
	16,130	**4,726**	**20,856**	13,272	3,503	16,775
Investments held at amortised cost						
Unquoted loan stock	**7,319**	**1,698**	**9,017**	7,673	1,549	9,222
	23,449	**6,424**	**29,873**	20,945	5,052	25,997

	Ordinary shares £'000	**D shares £'000**	**Combined £'000**
Opening valuation as at 1 January 2014	**20,945**	**5,052**	**25,997**
Purchases at cost	3,957	1,185	5,142
Disposal proceeds	(2,812)	(156)	(2,968)
Realised gains	520	5	525
Movement in loan stock accrued income	(74)	(3)	(77)
Unrealised gains	913	341	1,254
Closing valuation as at 31 December 2014	**23,449**	**6,424**	**29,873**
Movement in loan stock accrued income			
Opening accumulated movement in loan stock accrued income	**186**	**25**	**211**
Movement in loan stock accrued income	(74)	(3)	(77)
Closing accumulated movement in loan stock accrued income as at 31 December 2014	**112**	**22**	**134**
Movement in unrealised gains			
Opening accumulated unrealised (losses)/gains	(1,200)	1,112	(88)
Transfer of previously unrealised gains/(losses) on disposal	654	(43)	611
Movement in unrealised gains	913	341	1,254
Closing accumulated unrealised gains as at 31 December 2014	**367**	**1,410**	**1,777**
Historic cost basis			
Opening book cost	**21,959**	**3,914**	**25,873**
Purchases at cost	3,957	1,185	5,142
Sales at cost	(2,946)	(107)	(3,053)
Closing book cost as at 31 December 2014	**22,970**	**4,992**	**27,962**

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

The Directors believe that the carrying value of loan stock measured at amortised cost is not materially different to fair value. The Company does not hold any assets as the result of the enforcement of security during the period, and believes that the carrying values for both impaired and past due assets are covered by the value of security held for these loan stock investments.

A schedule of disposals during the year is shown on pages 19 and 21.

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;

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

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

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

The Ordinary shares' Level 3 investments had the following movements in the year to 31 December 2014:

	31 December 2014			31 December 2013		
	Equity £'000	**Convertible and discounted bonds £'000**	**Total £'000**	Equity £'000	Convertible and discounted bonds £'000	Total £'000
Opening balance	**8,264**	**5,008**	**13,272**	5,490	3,534	9,024
Additions	**2,000**	**1,395**	**3,395**	965	2,032	2,997
Disposals	**(1,775)**	**(3)**	**(1,778)**	(363)	(372)	(735)
Realised gains/(losses)	**663**	**(240)**	**423**	107	179	286
Debt/equity conversion and representation of convertible bond and debt	**–**	**–**	**–**	772	(425)	347
Transfer to Level 1	**(772)**	**(164)**	**(936)**	–	–	–
Unrealised gains	**1,036**	**288**	**1,324**	1,293	51	1,344
Accrued loan stock interest	**–**	**29**	**29**	–	9	9
Closing balance	**9,416**	**6,313**	**15,729**	8,264	5,008	13,272

The D shares' Level 3 investments had the following movements in the year to 31 December 2014:

	31 December 2014			31 December 2013		
	Equity £'000	**Convertible and discounted bonds £'000**	**Total £'000**	Equity £'000	Convertible and discounted bonds £'000	Total £'000
Opening balance	**1,972**	**1,531**	**3,503**	1,471	1,184	2,655
Additions	**711**	**193**	**904**	262	331	593
Disposals	**–**	**–**	**–**	(499)	–	(499)
Realised losses	**–**	**–**	**–**	(23)	–	(23)
Unrealised gains	**250**	**68**	**318**	761	12	773
Accrued loan stock interest	**–**	**1**	**1**	–	4	4
Closing balance	**2,933**	**1,793**	**4,726**	1,972	1,531	3,503

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

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

	31 December 2014			31 December 2013		
Valuation methodology	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Net asset value supported by third party valuation	**4,509**	**2,580**	**7,089**	4,339	2,205	6,544
Cost and price of recent investment (reviewed for impairment)	**4,749**	**959**	**5,708**	3,912	780	4,692
Revenue multiple	**2,839**	**220**	**3,059**	2,377	–	2,377
Earnings multiple	**2,143**	**613**	**2,756**	2,146	518	2,664
Agreed offer price	**1,489**	**354**	**1,843**	498	–	498
	15,729	**4,726**	**20,455**	13,272	3,503	16,775

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 68 per cent. of the Ordinary shares' and 82 per cent. of the D shares' Level 3 investments (by valuation) is based on third party independent evidence, recent investment price, agreed offer price and cost, the Directors believe that changes to reasonable possible alternative assumptions for the valuation of the remainder of the portfolio could lead to a significant change in the fair value of the Ordinary shares portfolio. The impact of these changes could result in an increase in the valuation of investments by £373,000 or a decrease in investments by £410,000 for the Ordinary share portfolio. The Directors do not believe that changes to reasonable possible alternative input assumptions for the D share portfolio would have a significant impact.

The Ordinary shares' unquoted equity instruments had the following movements between investment methodologies between 31 December 2013 and 31 December 2014:

Change in valuation methodology (2013 to 2014)	**Value as at 31 December 2014 £'000**	**Explanatory note**
Net asset value supported by third party valuation to agreed offer price	633	Agreed offer price
Cost (reviewed for impairment) to agreed offer price	268	Agreed offer price
Cost (reviewed for impairment) to revenue multiple	240	More relevant valuation methodology
Cost (reviewed for impairment) to net asset value supported by third party valuation	97	Third party valuation has recently taken place

The D shares' unquoted equity instruments had the following movements between investment methodologies between 31 December 2013 and 31 December 2014:

Change in valuation methodology (2013 to 2014)	**Value as at 31 December 2014 £'000**	**Explanatory note**
Cost (reviewed for impairment) to agreed offer price	93	Agreed offer price
Cost (reviewed for impairment) to revenue multiple	60	More relevant valuation methodology
Net asset value supported by third party valuation to agreed offer price	60	Agreed offer price
Cost (reviewed for impairment) to net asset value supported by third party valuation	8	Third party valuation has recently taken place

The valuation method used will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2014.

Notes to the Financial Statements (continued)

12. Significant interests

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

The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio companies as at 31 December 2014, as described below:

Company	**Country of incorporation**	**Principal activity**	**% class and share type**	**% total voting rights held by the Company**
Albion Investment Properties Limited	Great Britain	Owner of residential property	48.4% A Ordinary	48.4%
Blackbay Limited	Great Britain	Mobile data solutions	34.9% A Ordinary	7.4%
Masters Pharmaceuticals Limited	Great Britain	International specialist distributor of pharmaceuticals	21.1% A Ordinary	4.4%

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

13. Trade and other debtors and current asset investments

	31 December 2014			31 December 2013		
Trade and other debtors	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Prepayments and accrued income	**14**	**3**	**17**	17	4	21
UK corporation tax receivable	**1**	**–**	**1**	14	–	14
Other debtors	**180**	**3**	**183**	64	–	64
	195	**6**	**201**	95	4	99

	31 December 2014			31 December 2013		
Current asset investments	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Contingent future receipts on disposal of fixed asset investments	**–**	**–**	**–**	36	–	36
	–	**–**	**–**	36	–	36

The fair value hierarchy applied to contingent future receipts on disposal of fixed asset investments is Level 3.

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

Notes to the Financial Statements (continued)

14. Creditors: amounts falling due within one year

	31 December 2014			31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Accruals	**200**	**51**	**251**	184	50	234
UK corporation tax payable	**–**	**2**	**2**	–	28	28
Other creditors	**14**	**17**	**31**	47	31	78
	214	**70**	**284**	231	109	340

15. Called up share capital

	31 December 2014			31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Allotted, called up and fully paid shares of 1 penny each						
Number of shares	**41,834,205**	**6,413,822**	**48,248,027**	37,728,166	6,381,604	44,109,770
Nominal value of allotted shares (£'000)	**418**	**64**	**482**	377	64	441
Voting rights (net of treasury shares)	**37,527,505**	**6,388,197**	**43,915,702**	33,959,166	6,355,979	40,315,145

The Company purchased 272,000 Ordinary shares (2013: 605,000) for cancellation at a cost of £190,000 (2013: £414,000). The Company purchased no D shares for cancellation (2013: 31,587 at a cost of £27,000).

The Company purchased 605,700 Ordinary shares (2013: 341,000) at a cost of £424,000 (2013: £238,000) to be held in treasury during the year. The Company purchased no D shares to be held in treasury (2013: 25,625 at a cost of £23,000). The Company cancelled 68,000 Ordinary shares from treasury (2013: nil).

The Company holds a total of 4,306,700 Ordinary shares in treasury, representing 10.3 per cent. of the issued Ordinary share capital as at 31 December 2014. The Company holds a total of 25,625 D shares in treasury, representing 0.4 per cent. of the issued D share capital as at 31 December 2014.

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

Date of allotment	**Number of shares issued**	**Issue price (pence per share)**	**Net consideration received £'000**	**Opening market price on allotment date (pence per share)**
30 May 2014	139,680	72.2	98	70.0
30 September 2014	149,111	70.8	102	70.0
	288,791		**200**	

Notes to the Financial Statements (continued)

15. Called up share capital (continued)

During the year, the Company issued the following new Ordinary shares of nominal value 1 penny each under the Albion VCTs Top Up Offers 2013/2014 and Albion VCT Prospectus Top Up Offers 2013/2014:

Date of allotment	Number of shares issued	Issue price (pence per share)	Net consideration received £'000	Opening market price on allotment date (pence per share)
31 January 2014	549,339	74.4	401	69.5
31 January 2014	543,338	74.8	396	69.5
31 January 2014	20,352	73.7	15	69.5
5 April 2014 (Prospectus)	804,293	76.4	596	70.0
5 April 2014	585,294	76.4	434	70.0
5 April 2014	218,784	76.0	162	70.0
5 April 2014	62,024	75.7	46	70.0
4 July 2014 (Prospectus)	367,381	74.5	266	70.0
4 July 2014	30,139	74.5	22	70.0
4 July 2014	10,062	73.7	7	70.0
4 July 2014	5,398	74.1	4	70.0
30 September 2014 (Prospectus)	960,844	73.0	680	70.0
	4,157,248		**3,029**	

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

Date of allotment	Number of shares issued	Issue price (pence per share)	Net consideration received £'000	Opening market price on allotment date (pence per share)
30 May 2014	15,927	107.1	17	100.0
30 September 2014	16,291	105.0	16	100.0
	32,218		**33**	

16. Basic and diluted net asset values per share

	31 December 2014		31 December 2013	
	Ordinary shares (pence per share)	**D shares (pence per share)**	Ordinary shares (pence per share)	D shares (pence per share)
Basic and diluted net asset values per share	**73.1**	**109.5**	74.1	107.4

The basic and diluted net asset values per share at the year end are calculated in accordance with the Articles of Association and are based upon total shares in issue (less treasury shares) of 37,527,505 Ordinary shares (2013: 33,959,166) and 6,388,197 D shares (2013: 6,355,979) as at 31 December 2014.

17. Analysis of changes in cash during the year

	Year ended 31 December 2014			Year ended 31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Opening cash balances	**4,330**	**1,880**	**6,210**	6,309	822	7,131
Net cash flow	**(320)**	**(1,245)**	**(1,565)**	(1,979)	1,058	(921)
Closing cash balances	**4,010**	**635**	**4,645**	4,330	1,880	6,210

Notes to the Financial Statements (continued)

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

	Year ended 31 December 2014			Year ended 31 December 2013		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Revenue return on ordinary activities before taxation	**448**	**211**	**659**	438	248	686
Investment management fee charged to capital	**(446)**	**(116)**	**(562)**	(422)	(110)	(532)
Movement in accrued loan stock interest	**74**	**3**	**77**	52	(6)	46
Decrease/(increase) in debtors	**3**	**(1)**	**2**	7	15	22
Increase/(decrease) in creditors	**22**	**3**	**25**	(5)	(2)	(7)
Net cash flow from operating activities	**101**	**100**	**201**	70	145	215

19. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares and D shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 24 of the Directors' report.

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

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

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

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

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted investments, details of which are shown on pages 17 to 21. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the portfolio company and the dynamics of market quoted comparators. The Manager receives management accounts from portfolio companies and members of the investment management team often sit on the boards of unquoted portfolio companies; this enables the close identification, monitoring and management of investment risk.

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

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

The maximum investment risk as at the Balance sheet date is the value of the fixed asset and current asset investment portfolio (excluding fixed term deposits) which, for Ordinary shares is £23,449,000 (2013: £20,981,000) and for D shares £6,424,000 (2013: £5,052,000). Fixed asset and current asset investments form 85 per cent. of the Ordinary shares' and 92 per cent. of the D shares' net asset value as at 31 December 2014 (2013: 83 per cent. Ordinary shares; 74 per cent. D shares).

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

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

Investment price risk

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

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

As required under FRS 29 "Financial Instruments: Disclosures", the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed and current asset investment portfolio is sensitive to a 10 per cent. change based on the current economic climate. The impact of a 10 per cent. change has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and future expectations.

The sensitivity of a 10 per cent. (2013: 10 per cent.) increase or decrease in the valuation of the fixed asset and current asset investments (keeping all other variables constant) would increase or decrease the net asset value and return for the year of Ordinary shares by £2,345,000 (2013: £2,098,000) and £642,000 (2013: £505,000) for the D shares.

Interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise of one percentage point in all interest rates would have increased total return before tax for the year by approximately £29,000. Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average effective interest rate applied to the Company's fixed rate assets during the year was approximately 6.5 per cent. for the Ordinary shares (2013: 4.5 per cent.) and 9.7 per cent. for the D shares (2013: 8.4 per cent.).

The weighted average period to maturity for the fixed rate assets is approximately 5.5 years (2013: 4.6 years) for Ordinary shares and 6.5 years for D shares (2013: 7.5 years).

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

Ordinary shares

	31 December 2014				31 December 2013			
	Fixed rate £'000	**Floating rate £'000**	**Non-interest bearing £'000**	**Total £'000**	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Unquoted equity	**–**	**–**	**9,416**	**9,416**	–	–	8,264	8,264
Quoted equity	**–**	**–**	**401**	**401**	–	–	–	–
Convertible and discounted bonds	**5,239**	**–**	**1,074**	**6,313**	4,070	–	938	5,008
Unquoted loan stock	**5,441**	**–**	**1,878**	**7,319**	7,450	209	14	7,673
Debtors*	**–**	**–**	**185**	**185**	–	–	71	71
Current asset investments	**–**	**–**	**–**	**–**	–	–	36	36
Current liabilities*	**–**	**–**	**(214)**	**(214)**	–	–	(231)	(231)
Cash	**–**	**4,010**	**–**	**4,010**	486	3,844	–	4,330
	10,680	**4,010**	**12,740**	**27,430**	12,006	4,053	9,092	25,151

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)
D shares

	31 December 2014				31 December 2013			
	Fixed rate £'000	**Floating rate £'000**	**Non-interest bearing £'000**	**Total £'000**	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Unquoted equity	**–**	**–**	**2,933**	**2,933**	–	–	1,972	1,972
Discounted debt and convertible bonds	**1,793**	**–**	**–**	**1,793**	1,531	–	–	1,531
Unquoted loan stock	**1,698**	**–**	**–**	**1,698**	1,549	–	–	1,549
Debtors*	**–**	**–**	**3**	**3**	–	–	2	2
Current liabilities*	**–**	**–**	**(68)**	**(68)**	–	–	(81)	(81)
Cash	**–**	**635**	**–**	**635**	450	1,430	–	1,880
	3,491	**635**	**2,868**	**6,994**	3,530	1,430	1,893	6,853

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

Credit risk

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

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

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

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

The Company's total gross credit risk for Ordinary shares at 31 December 2014 was limited to £13,632,000 (2013: £12,681,000) of unquoted loan stock instruments (all are secured on the assets of the portfolio company), £4,010,000 (2013: £4,330,000) of cash deposits with banks and £180,000 (2013: £64,000) of other debtors.

The Company's total gross credit risk for D shares at 31 December 2014 was limited to £3,491,000 (2013: £3,080,000) of unquoted loan stock instruments (all are secured on the assets of the portfolio company), £635,000 (2013: £1,880,000) of cash and fixed term deposits with banks and £3,000 (2013: £nil) of other debtors.

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

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

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

The Ordinary shares' cost, impairment and carrying value of impaired loan stocks are as follows:

	31 December 2014			31 December 2013		
Ordinary shares	**Cost £'000**	**Impairment £'000**	**Carrying value £'000**	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	**4,849**	**(1,539)**	**3,310**	4,150	(1,617)	2,533

There are no impaired loan stock instruments for D shares.

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

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited Balance sheet, which amounts to £3,321,000 (2013: £3,097,000) as at 31 December 2014.

The Company had no committed borrowing facilities in regard to Ordinary shares or D shares as at 31 December 2014 (2013: nil) and the Company had cash and fixed term deposit balances of £4,010,000 (2013: £4,330,000) for Ordinary shares and £635,000 (2013: £1,880,000) for D shares. The main cash outflows are for new investments, buy-back of shares and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis, as part of its review of management accounts and forecasts. With the exception of corporation tax payable, all of the Company's financial liabilities are short term in nature and total £214,000 (2013: £231,000) for Ordinary shares and £70,000 (2013: £109,000) for D shares.

The carrying value of Ordinary shares' loan stock investments at 31 December 2014, analysed by expected maturity dates is as follows:

Redemption date	**Fully performing £'000**	**Impaired £'000**	**Past due £'000**	**Total £'000**
Less than one year	**2,374**	**1,982**	**431**	**4,787**
1-2 years	**950**	**1,306**	**131**	**2,387**
2-3 years	**427**	**–**	**–**	**427**
3-5 years	**1,835**	**22**	**–**	**1,857**
Greater than 5 years	**3,369**	**–**	**805**	**4,174**
	8,955	**3,310**	**1,367**	**13,632**

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

- loan stock valued at £431,000 yielding an average 7.4 per cent. which has interest past due by less than 12 months;
- loan stock valued at £131,000 yielding an average 7.6 per cent. has interest past due by greater than 12 months but less than 2 years;
- loan stock valued at £805,000 yielding an average 13.0 per cent has interest past due by greater than 12 months but less than 3 years.

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

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

Notes to the Financial Statements (continued)

19. Capital and financial instruments risk management (continued)

The carrying value of D shares' loan stock investments at 31 December 2014, analysed by expected maturity dates is as follows:

Redemption date	Fully performing £'000	Impaired £'000	Past due £'000	Total £'000
Less than one year	**966**	**–**	**205**	**1,171**
1-2 years	**217**	**–**	**103**	**320**
2-3 years	**68**	**–**	**–**	**68**
3-5 years	**872**	**–**	**–**	**872**
Greater than 5 years	**1,060**	**–**	**–**	**1,060**
	3,183	**–**	**308**	**3,491**

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

- Loan stock valued at £205,000 yielding an average 14.9 per cent. which has interest past due by less than 12 months;
- loan stock valued at £103,000 yielding an average 7.0 per cent. has interest past due by greater than 12 months but less than 2 years;

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

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

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

Fair values of financial assets and financial liabilities

All of the Company's financial assets and liabilities as at 31 December 2014 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, cash, fixed term deposits, debtors and creditors, which are measured at amortised cost, as permitted by FRS 26. In the opinion of the Directors, the amortised cost of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different from the fair value and all are payable within one year.

20. Contingencies and commitments

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

- Proveca Limited; £119,000
- Cisiv Limited; £96,000
- MyMeds&Me Limited; £47,000
- Dragon Hydro Limited; £2,500

Notes to the Financial Statements (continued)

21. Post balance sheet events

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

- Proceeds of £1,319,000 from the disposal of Orchard Portman Group (Taunton Hospital Limited);
- Investment of £64,000 in Regenerco Limited;
- Investment of £53,500 in Cisiv Limited;
- Investment of £51,000 in Mi-Pay Group PLC;
- Investment of £52,000 in Silent Herdsman Holdings Limited; and
- Investment of £17,000 in AVESI Limited

Albion VCTs Prospectus Top Up Offers 2014/2015

On 17 November 2014 the Company announced the publication of a prospectus in relation to an offer for subscription for new Ordinary shares. A Securities Note, which forms part of the prospectus, has been sent to shareholders.

A copy of the prospectus may be obtained from www.albion-ventures.co.uk.

The following Ordinary shares of nominal value 1 penny per share were allotted under the Offers since the period end:

Date of allotment	Number of shares issued	Issue price (pence per share)	Net consideration received £'000	Opening market price on allotment date (pence per share)
30 January 2015	1,287,521	72.9	920	70.0
30 January 2015	693,078	73.2	495	70.0
	1,980,599		**1,415**	

22. Related party transactions

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Development VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 4 June 2015 at 12:00pm for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 7 and 9 will be proposed as ordinary resolutions and numbers 8 and 10 to 13 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 December 2014 together with the report of the Directors and Auditor.

2. To approve the Directors' remuneration report for the year ended 31 December 2014.

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

4. To re-elect Patrick Reeve as a Director of the Company.

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

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

Special Business

7. To continue as a venture capital trust until the Annual General Meeting of the Company in 2025, subject to the passing of resolution number 8.

8. That existing Article 130 in the Articles of Association of the Company be deleted and the following new Article 130 be inserted "At the annual general meeting of the Company in 2025 and, if the Company has not then been wound-up or unitised or re-organised at each tenth annual general meeting of the Company thereafter, the Directors shall procure that an ordinary resolution will be proposed to the effect that the Company shall continue in being as a venture capital trust."

9. That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company up to an aggregate nominal amount of £87,629 for Ordinary shares provided that this authority shall expire 18 months from the date that this resolution is passed, or, if earlier, the conclusion of the next annual general meeting of the Company but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

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

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

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

    (c) in connection with the Albion VCTs Prospectus Top Up Offers 2014/2015 and similar Offers; and

    (d) otherwise than pursuant to paragraphs (a) to (c) above, up to an aggregate nominal amount of £87,629 for Ordinary shares.

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

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

Notice of Annual General Meeting (continued)

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 8" 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 1 penny each in the capital of the Company, on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 727 of the Act, provided that:

    (a) the maximum number of shares hereby authorised to be purchased is 6,567,839 Ordinary shares, equal to 14.99 per cent. of the shares in issue;

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

    (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 4 December 2016, 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.

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

13. Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (Annual General Meetings will continue to be held on at least 21 clear days' notice).

    Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an Annual General Meeting on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability resolution 13 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

By order of the Board

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

10 March 2015

Albion Development VCT PLC is registered in England and Wales with company number 03654040

Notice of Annual General Meeting (continued)

Notes

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

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

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

   To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the

   Company by 12:00pm on 2 June 2015.

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

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 12:00pm on 2 June 2015 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by 12:00pm 2 June 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

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

6. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from

   www.albion-ventures.co.uk, Our Funds, Albion Development VCT PLC.

Notice of Annual General Meeting (continued)

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

8. As at 4 March 2015 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 43,814,804 Ordinary shares and 6,413,822 D shares. The Company holds 4,306,700 Ordinary shares and 25,625 D shares in treasury. At that date, the total voting rights of the Ordinary share class were 39,508,104 and for D shares were 6,388,197. The total voting rights for the Company were 45,896,301.

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

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

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

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