# Albion Technology & General VCT PLC

Annual Report and Financial Statements for the year ended 31 December 2019

2019

Albion Capital

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# Company information

| | |
|---|---|
| **Company number** | 04114310 |
| **Directors** | Dr N E Cross, Chairman<br>R Archibald<br>M A Cordeiro<br>M V Rees-Mogg<br>P H Reeve |
| **Country of incorporation** | United Kingdom |
| **Legal form** | Public Limited Company |
| **Manager, company secretary, AIFM and registered office** | Albion Capital Group LLP<br>1 Benjamin Street<br>London, EC1M 5QL |
| **Registrar** | Computershare Investor Services PLC<br>The Pavilions<br>Bridgwater Road<br>Bristol, BS99 6ZZ |
| **Auditor** | BDO LLP<br>55 Baker Street<br>London, W1U 7EU |
| **Taxation adviser** | Philip Hare & Associates LLP<br>1 Temple Avenue<br>London, EC4Y 0HA |
| **Legal adviser** | Bird & Bird LLP<br>12 New Fetter Lane<br>London, EC4A 1JP |
| **Depositary** | Ocorian (UK) Limited<br>11 Old Jewry<br>London, EC2R 8DU |

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

| | |
|---|---|
| **Shareholder information** | For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:<br>Tel: 0370 873 5854 (UK National Rate call, lines are open 8.30am – 5.30pm; Mon – Fri, calls are recorded)<br>Website: www.investorcentre.co.uk<br><br>Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.<br>Shareholders can also contact the Chairman directly on: AATGchair@albion.capital |
| **Financial adviser information** | For enquiries relating to the performance of the Company, and information for financial advisers please contact Albion Capital Group LLP:<br><br>Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls are recorded)<br>Email: info@albion.capital<br>Website: www.albion.capital<br><br>**Please note that these contacts are unable to provide financial or taxation advice.** |

# Investment objective and policy

The Company's investment objective is to provide investors with a regular and predictable source of dividend income, combined with the prospect of long-term capital growth, through a balanced portfolio of predominantly unquoted growth and technology businesses in a qualifying venture capital trust.

**Investment policy**

The Company will invest in a broad portfolio of unquoted growth and technology businesses. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified in terms of sectors and stages of maturity of portfolio companies.

*VCT qualifying and non-qualifying investments*

Application of the investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs ("VCT regulations"). The maximum amount invested in any one company is limited to any HMRC annual investment limits. It is intended that normally at least 80 per cent. of the Company's funds will be invested in VCT qualifying investments. The VCT regulations also have an impact on the type of investments and qualifying sectors in which the Company can make investment.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 7.5 per cent. of the Company's assets at the time of investment.

*Risk diversification and maximum exposures*

Risk is spread by investing in a number of different businesses within VCT qualifying industry sectors using a mixture of securities. The maximum the Company will invest in a single company is 15 per cent. of the Company's assets at cost at the time of investment. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of investments' suitability for sale. It is possible that individual holdings may grow in value to a point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

*Borrowing powers*

The Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. The Directors do not have any intention of utilising long-term gearing.

# Background to the Company

The Company is a venture capital trust which raised £14.3 million in December 2000, 2002 and raised a further £35.0 million during 2006 through the launch of a C share issue. The Company has raised a further £40.0 million under the Albion VCTs Top Up Offers since January 2011.

On 15 November 2013, the Company acquired the assets and liabilities of Albion Income & Growth VCT PLC in exchange for new shares in the Company resulting in a further £28.1 million of net assets.

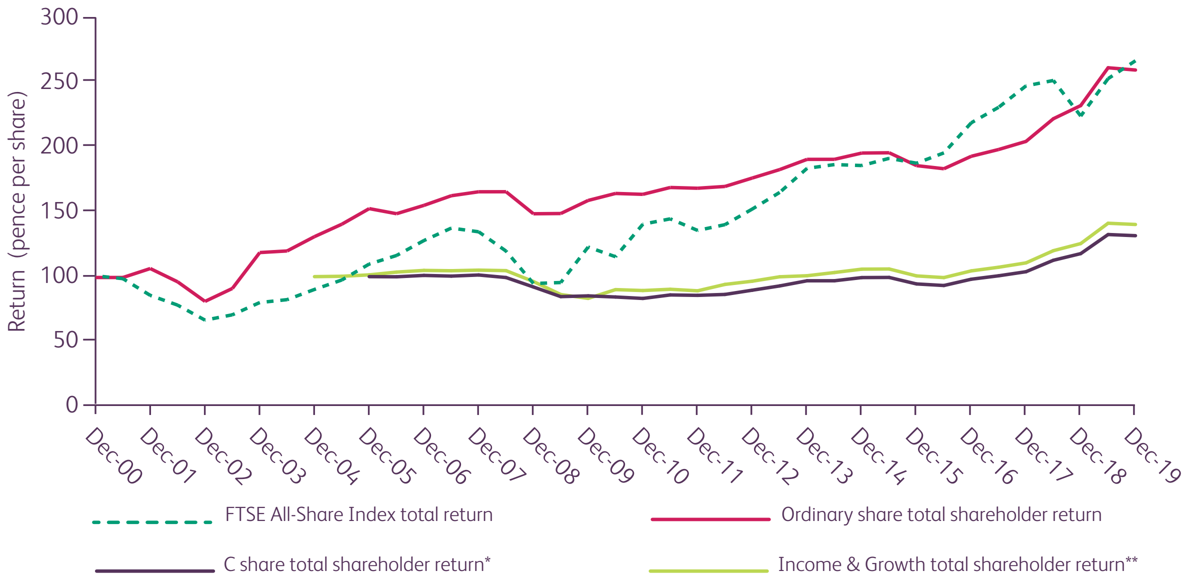
# Financial calendar

| | |
|---|---|
| Annual General Meeting | Noon on 3 June 2020 |
| Record date for first dividend | 5 June 2020 |
| Payment of first dividend | 30 June 2020 |
| Announcement of half-yearly results for the six months ending 30 June 2020 | September 2020 |

# Financial highlights

| | |
|---|---|
| **185.58p** | Total shareholder return per Ordinary share since launch |
| **9.28p** | Total return per share for the year ended 31 December 2019 (12.0% on opening net asset value per share) |
| **4.0p** | Total tax free dividend per Ordinary share paid in the year to 31 December 2019 |
| **82.58p** | Net asset value per Ordinary share as at 31 December 2019 |
| **2.75%** | Ongoing charges ratio for the year ended 31 December 2019 |

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




Source: Albion Capital Group LLP

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

*The C shares converted to Ordinary shares on 31 March 2011 on the basis of their respective net asset values, with each C shareholder receiving 0.7779 Ordinary shares for each C share they owned.

**Albion Income & Growth VCT PLC was merged with the Company on 15 November 2013 on the basis of their respective net asset values, with each Income & Growth shareholder receiving 0.7813 Ordinary shares in the Company for each Income & Growth share they owned.

# Financial highlights continued

| | 31 December 2019 (pence per share) | | 31 December 2018 (pence per share) | |
|---|---|---|---|---|
| Opening net asset value | | **77.40** | | 71.90 |
| Revenue return | *0.47* | | *0.40* | |
| Capital return | *8.81* | | *9.10* | |
| Total return | | **9.28** | | 9.50 |
| Dividends paid | | **(4.00)** | | (4.00) |
| Impact from share capital movements | | **(0.10)** | | – |
| Net asset value | | **82.58** | | 77.40 |

| **Total shareholder return to 31 December 2019:** | **Ordinary share (pence per share)** | **C share (pence per share)(1)** | **Income & Growth (pence per share)(2)** |
|---|---|---|---|
| Total dividends paid during the year ended: | | | |
| 31 December 2001 | 1.00 | – | – |
| 31 December 2002 | 2.00 | – | – |
| 31 December 2003 | 1.50 | – | – |
| 31 December 2004 | 7.50 | – | – |
| 31 December 2005 | 9.00 | – | 0.65 |
| 31 December 2006 | 8.00 | 0.50 | 2.60 |
| 31 December 2007 | 8.00 | 2.50 | 3.45 |
| 31 December 2008 | 16.00 | 4.50 | 3.50 |
| 31 December 2009 | – | 1.00 | 3.00 |
| 31 December 2010 | 8.00 | 3.00 | 3.00 |
| 31 December 2011 | 5.00 | 3.80 | 3.50 |
| 31 December 2012 | 5.00 | 3.90 | 3.50 |
| 31 December 2013 | 5.00 | 3.90 | 3.50 |
| 31 December 2014 | 5.00 | 3.90 | 3.90 |
| 31 December 2015 | 5.00 | 3.90 | 3.90 |
| 31 December 2016 | 5.00 | 3.90 | 3.90 |
| 31 December 2017 | 4.00 | 3.11 | 3.13 |
| 31 December 2018 | 4.00 | 3.11 | 3.13 |
| 31 December 2019 | 4.00 | 3.11 | 3.13 |
| **Total dividends paid to 31 December 2019** | **103.00** | **44.17** | **47.80** |
| Net asset value as at 31 December 2019 | 82.58 | 64.24 | 64.52 |
| **Total shareholder return to 31 December 2019** | **185.58** | **108.41** | **112.32** |

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 December 2020 of 2.0 pence per share to be paid on 30 June 2020 to shareholders on the register on 5 June 2020.

Notes

Total shareholder return for every 100 pence invested on initial allotment. The table above excludes tax benefits upon subscription.

(1) The C shares were converted into Ordinary shares on 31 March 2011. 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 **0.7779** 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.

(2) Albion Income & Growth VCT PLC was merged with Albion Technology & General VCT PLC on 15 November 2013. The net asset value per share and all dividends paid subsequent to the merger of the Income & Growth shares to the Ordinary shares are multiplied by the issue ratio of **0.7813** in respect of the Income & Growth shares' return, in order to give an accurate picture of the shareholder value since launch relating to the Income & Growth shares. Prior to the merger, Albion Income & Growth VCT PLC had a financial year end of 30 September and as such, the above dividends per share relate to the relevant period.

# Chairman's statement

**Dr. Neil Cross**
Chairman

> a total return of 9.28 pence per share, which is a 12.0% return on the opening net asset value per share

## Introduction

These accounts are being published against the most extraordinary events affecting health around the world and sending our economies and markets into a tailspin. It is impossible to ignore these events, but I have attempted to report on the last year's results as unemotionally as I can, but not without the hope for a restoration of some normality when I next report to you.

I am pleased to report the results for Albion Technology & General VCT PLC for the year to 31 December 2019. These show a total return of 9.28 pence per share, which is a 12.0% return on the opening net asset value per share and is the second consecutive year in which the Company has achieved a return of over 10%.

### Results and dividends

As at 31 December 2019, the net asset value was 82.58 pence per share compared to 77.40 pence per share at 31 December 2018. The total return after tax was £10.2 million compared to £9.8 million in the year to 31 December 2018.

The Company paid dividends totalling 4.0 pence per share during the year ended 31 December 2019 (2018: 4.0 pence per share). The dividend objective of the Board is to provide shareholders with a strong, predictable dividend flow. The Company continues to target an annual dividend of 4.0 pence per share and has declared a first dividend for the year ending 31 December 2020 of 2.0 pence per share to be paid on 30 June 2020 to shareholders on the register on 5 June 2020.

### Investment portfolio

The results for the year showed net gains on investments of £11.2 million, against gains of £10.7 million for the previous year, which was mainly driven by four significant investment disposals.

Our holding in Process Systems Enterprise was sold to Siemens, for proceeds of £14.3 million (an uplift of £9.4 million in the year) and resulting in a 10 times return on the original investment cost. Following the successful sale of Grapeshot in 2018 this is the second time in just over a year that the Company has sold a technology investment for a ten times multiple.

We exited Radnor House Twickenham in November 2019 for proceeds of £7.1 million as part of a reorganisation of the Radnor House group. This has been one of our successful school investments and has resulted in an internal rate of return of just under 20% per annum over the past nine years. The Company has retained its stake in Radnor House Sevenoaks, which has further capacity to grow.

Our investments in the pub sector, Bravo Inns and Bravo Inns II, were also sold generating proceeds of £6.0 million combined. Over the life of our investment, including interest received, we generated a blended return of 1.7 times cost.

The sale of Earnside Energy completed during the period for £2.3 million. Including interest received during the time this investment was held, the sale resulted in a total return of 1.4 times original cost. Further details on the above disposals, and other realisations, can be found in the realisations table on page 24.

In addition to the above, Proveca increased in value by £719,000, Oviva by £376,000 and Oxsensis by £340,000 following funding rounds in which we participated. Against this, a further £628,000 write-down was realised on Mi-Pay, which sold its principal operating subsidiary, delisted and distributed the sale proceeds after the year end. Unrealised write-downs were made against our investment in Zift Channel Solutions (£491,000) and Convertr Media (£403,000) due to slow trading.

During the year, a total of £7.0 million was deployed into portfolio companies, of which £4.3 million was invested across seven new portfolio companies, all of which are likely to require further investment as the companies prove themselves and grow:

- £1,486,000 into Cantab Research (T/A Speechmatics), a provider of low footprint automated speech recognition software which can be deployed in the cloud, on premise or on device across 29 languages;
- £1,402,000 into Elliptic Enterprises, a provider of Anti Money Laundering services to digital asset institutions;
- £400,000 into Avora, a developer of software to improve decision making through augmented analytics & machine learning;
- £380,000 into Limitless Technology, a provider of a customer service platform powered by the crowd and machine learning technology;
- £367,000 into Clear Review, a provider of talent management software to mid-market enterprises;
- £151,000 into Imandra, a provider of automated software testing and an enhanced learning experience for artificial neural networks; and
- £68,000 into Symetrica, a designer and manufacturer of radiation detection equipment.

A further £2.7 million was invested in existing portfolio companies, including £455,000 in Proveca, £342,000 in InCrowd Sports and £338,000 in Oxsensis.

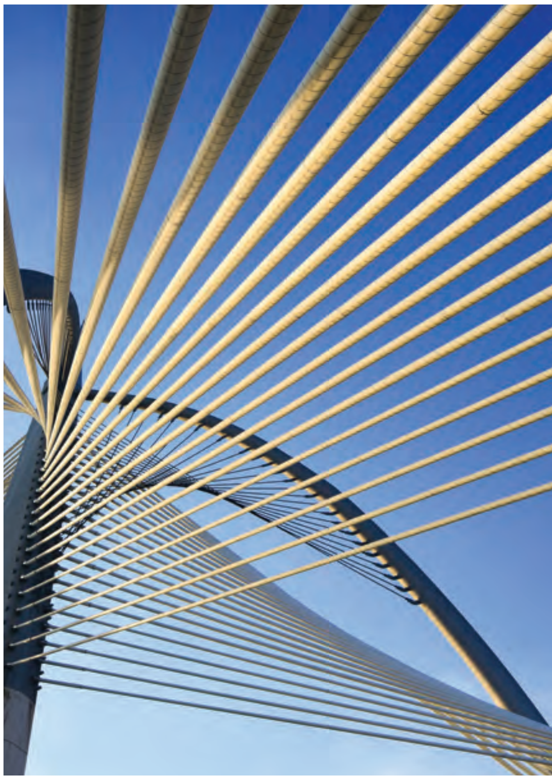
Overall, 37% of the portfolio by value is profitable, measured by earnings before interest, tax and depreciation with a number of our investments showing strong growth in fast-developing international markets.

**Liquidity**

Principally as a result of disposals, at 31 December 2019 the Company had cash balances of £32.5 million (2018: £7.1 million) which represents 37% (2018: 12%) of net assets. The Board therefore decided not to participate in the Albion VCTs Top Up Offers 2019/20. It is important for a venture capital fund, which by its nature has illiquid investments, to hold sufficient cash to manage operating costs, to service dividends and buy backs and most importantly to make follow on and new investments, when they arise. This must be balanced against the requirements of a venture capital trust to be invested in qualifying investments. In light of current economic conditions, it is reassuring to have significant cash and reserves. In the near term, we will assess what future investment and operational cash requirements the Company has and consider whether any of the existing cash balance should be distributed as a special dividend.

**Risks and uncertainties**

The highly uncertain outlook for the UK and Global economies is the key risk affecting the Company, with the extraordinary health risk clouding any evaluation of risk and returns for most companies in the developed world. Our underlying portfolio companies may be adversely affected by the Coronavirus Pandemic and recent quoted market turmoil, with financial measures becoming more draconian by the day. The Manager is continually assessing the exposure to these risks for each portfolio company, and appropriate actions, where possible, are being implemented.



"Following the successful sale of Grapeshot in 2018 this is the second time in just over a year that the Company has sold a technology investment for a ten times multiple"

The Manager has a clear focus to allocate resources to those sectors and opportunities where it believes growth can be both resilient and sustainable, with provision of cash to assist some portfolio companies in these extreme market conditions being a likelihood. The new VCT rules will result in the gradual reduction of the asset-based element of the portfolio in favour of growth and technology companies which will inevitably increase volatility over time.

A detailed analysis of the other principal risks and uncertainties facing the business is shown in the Strategic report on pages 16 and 17.

**Fraud warning**

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

The Manager maintains a page on their website in relation to fraud advice at www.albion.capital/investor-centre/fraud-advice.

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

**Annual General Meeting**

As a Board, we have been deliberating the potential impact of the Covid-19 outbreak on the arrangements for our upcoming Annual General Meeting (AGM). These arrangements will evolve and we will keep shareholders updated of any changes on our Manager's website at www.albion.capital/funds/AATG.

We are required by law to hold an AGM within six months of our financial year end and lengthy postponement or adjournment is not possible in this case. Our AGM will therefore be held at noon on 3 June 2020, at the offices of Albion Capital Group LLP, 1 Benjamin Street, London, EC1M 5QL. However, we are putting in place contingency arrangements which mean that the meeting is unlikely to follow the same format as in previous years but will still meet the minimum legal requirements for an AGM. As a result, there will be no presentation from the Manager or from a portfolio company, and we will not be providing lunch after the AGM.

Full details of the business to be conducted at the Annual General Meeting are given in the Notice of the Meeting on pages 68 and 69.

This year, we would strongly encourage shareholders to consider public health advice when deciding whether to attend the meeting. Shareholders' views are important and the Board encourages shareholders' to vote on the resolutions within the Notice of Annual General Meeting on pages 68 and 69 using the proxy form enclosed with this Annual Report and Financial Statements, or electronically at www.investorcentre.co.uk/eproxy. The Board has carefully considered the business to be approved at the Annual General Meeting and recommends shareholders to vote in favour of all the resolutions being proposed. We encourage shareholders to submit their votes by proxy, rather than attending in person. If circumstances improve and you have submitted a proxy, you can still attend the meeting.

We always welcome questions from our shareholders at the AGM but this year, we would rather shareholders submit their questions to the Board before the AGM so we can ensure your questions are answered either at the meeting or afterwards.

You can submit questions up until noon on 2 June 2020 in the following ways:

- By email: send your questions to AATGchair@albion.capital
- By telephone: contact Shareholder relations on 020 7601 1850

The Directors current intention is to attend the AGM in person unless there has been a significant change in the current situation.

**Share buy-backs**

The current healthcare crisis, and resultant economic and market crises, continues to gather pace at the time of writing and the financial turmoil will have an effect on our investments, though, at this early stage, it is hard to assess the precise impact. While the investment valuations as at the date of the publishing of these audited accounts are our current best estimate, the fast-changing financial environment may mean that these need to be re-assessed. We will consequently be undertaking a new valuation exercise in early April, with a view to publishing an Interim Management Statement for the quarter to 31 March 2020 which will include a new, unaudited net asset value as at that date.

Given uncertainty on valuations caused by the Coronavirus and its impact on financial markets in recent times, the Board agreed to suspend the Company's buy back operation on 18 March 2020, until such time as the Company can provide an updated valuation as at 31 March 2020 of the portfolio and the Company's net asset value. The Board do not intend to resume the Company's buyback programme until after the announcement of the 31 March 2020 unaudited net asset value.

# Chairman's statement continued

**Outlook and prospects**

It is impossible to predict outlook against the dramatic events of the past few weeks. The Board has been encouraged by the successful exits of both technology and asset-based investments during the year as well as the strong returns over the past few years, although there is likely to be increased volatility within the portfolio in future years, given the increasing weighting to higher risk technology investments. Before the onset of the Covid-19 crisis, the performance and prospects of a number of companies within the investment portfolio gave us cause to be optimistic about the long term prospects and we hope this will continue to be the case.

In the meantime, however, the Board and the Manager continue to work to preserve value in these immensely difficult circumstances in the best interests of all our stakeholders.

**Dr. N E Cross**
Chairman
20 March 2020

# Strategic report

### Investment objective and policy

The Company's investment objective is to provide investors with a regular and predictable source of dividend income, combined with the prospect of long-term capital growth, through a balanced portfolio of unquoted growth and technology businesses in a qualifying venture capital trust.

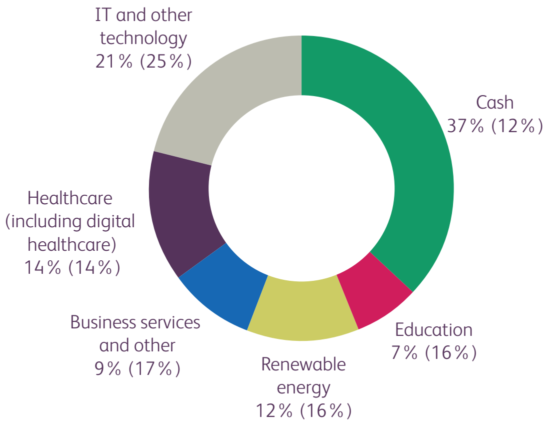
The Company will invest in a broad portfolio of unquoted growth and technology businesses. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified in terms of sectors and stages of maturity of portfolio companies.

The full investment policy can be found on page 3.

### Current portfolio sector allocation

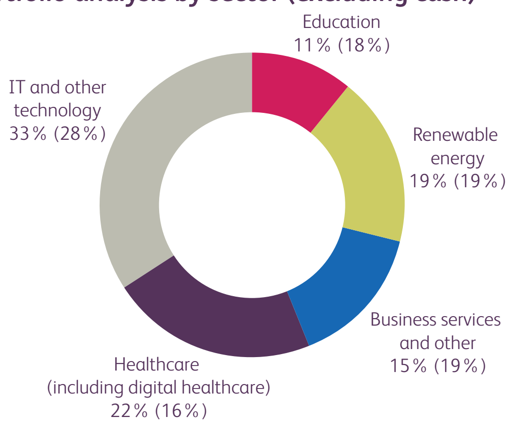
The following pie charts show the split of the portfolio valuation as at 31 December 2019 by: sector including cash; sector excluding cash; stage of investment; and number of employees. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 22 to 24.

#### Portfolio analysis by sector (including cash)



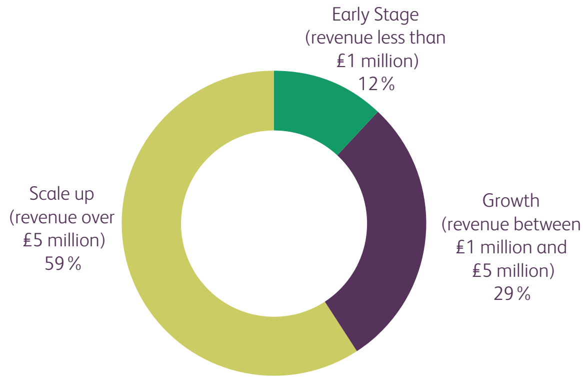

Comparatives for 31 December 2018 are in brackets
Source: Albion Capital Group LLP

#### Portfolio analysis by sector (excluding cash)



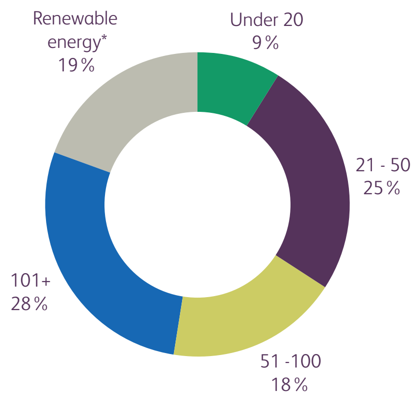

Comparatives for 31 December 2018 are in brackets
Source: Albion Capital Group LLP

#### Portfolio analysis by stage of investment




Source: Albion Capital Group LLP

#### Portfolio analysis by number of employees




Source: Albion Capital Group LLP
*renewable energy investments have no employees

### Direction of portfolio

During the year, a greater focus has been given to growth and technology investments, which has resulted in a decrease of asset-based investments as a percentage of the portfolio. We expect that this will continue to decrease over time as the Company transitions towards a growth and technology portfolio.

The current portfolio remains well balanced in terms of sectors, with healthcare (including digital healthcare) accounting for 14 per cent., renewable energy for 12 per cent. and education for 7 per cent.. Following a number of exits in the year, the Company has a significant level of cash which will deployed into the IT and other technology and healthcare (including digital healthcare) sectors. We therefore expect that the IT and other technology and healthcare (including digital healthcare) sectors to increase over the coming years.

## Results and dividends

| | Ordinary shares £'000 |
|---|---|
| Net revenue return for the year ended 31 December 2019 | 519 |
| Net capital gain for the year ended 31 December 2019 | 9,645 |
| **Total return for the year ended 31 December 2019** | **10,164** |
| Dividend of 2.0 pence per share paid on 28 June 2019 | (2,237) |
| Dividend of 2.0 pence per share paid on 31 December 2019 | (2,223) |
| **Transferred to reserves** | **5,704** |
| Net assets as at 31 December 2019 | 92,022 |
| **Net asset value per share as at 31 December 2019** | **82.58p** |

The Company paid dividends of 4.0 pence per share during the year ended 31 December 2019 (2018: 4.0 pence per share). The dividend objective of the Board is to provide shareholders with a strong, predictable dividend flow. The Board has declared a first dividend for the year ending 31 December 2020, of 2.0 pence per share to be paid on 30 June 2020 to shareholders on the register on 5 June 2020.

As shown in the Income statement on page 50, investment income has increased to £1,416,000 (2018: £1,184,000). This is in part due to interest payments recommencing on investments where interest was previously being capitalised in order to fund further growth and dividends received from our holding in the SVS Albion OLIM UK Equity Income Fund. As a result, the revenue return to equity holders has increased to £519,000 (2018: £370,000). However, this is expected to decrease in the future due to a number of loan stock repayments and exits during the year.

The net capital gain for the year was £9,645,000 (2018: £9,389,000). This is mainly attributable to the realised gain in the year of £9,410,000 on the sale of Process Systems Enterprise, £783,000 on the sale of the pubs portfolio (Bravo Inns and Bravo Inns II), and uplifts in valuations for Proveca (£719,000), Oviva (£376,000), and Oxsensis (£340,000). These were partly offset by unrealised losses on Zift Channel Solutions (£491,000), Convertr Media (£403,000) and a realised loss of £628,000 for Mi-Pay. The total return for the period was 9.28 pence per share (2018: 9.50 pence per share).

The Balance sheet on page 51 shows that the net asset value per share has increased over the last year to 82.58 pence per share (2018: 77.40 pence per share). The increase in net asset value is attributed to the total return of 9.28 pence per share offset by the payment of 4.0 pence per share of dividends.

The cash inflow for the year was £25 million (2018: £3 million outflow). This was mainly as a result of £31.1 million received from the disposal of investments and receipt of deferred consideration and £7.8 million from the issue of new shares under the Albion VCTs Top Up Offers. This was offset by the £7.0 million of new and follow on investments, dividends paid of £3.8 million and buy-backs of £2.0 million of shares.

## Review of business and outlook

A review of the Company's business during the year and future prospects is contained in the Chairman's statement on pages 6 to 9 and in this Strategic report.

As a greater emphasis continues to be given to growth and technology investments, we expect that, asset-based investments will continue to decrease over time as a proportion of the portfolio. It is expected that with the number of loan stock repayments and exits in the year, income will become a lower component of total return in future years.

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

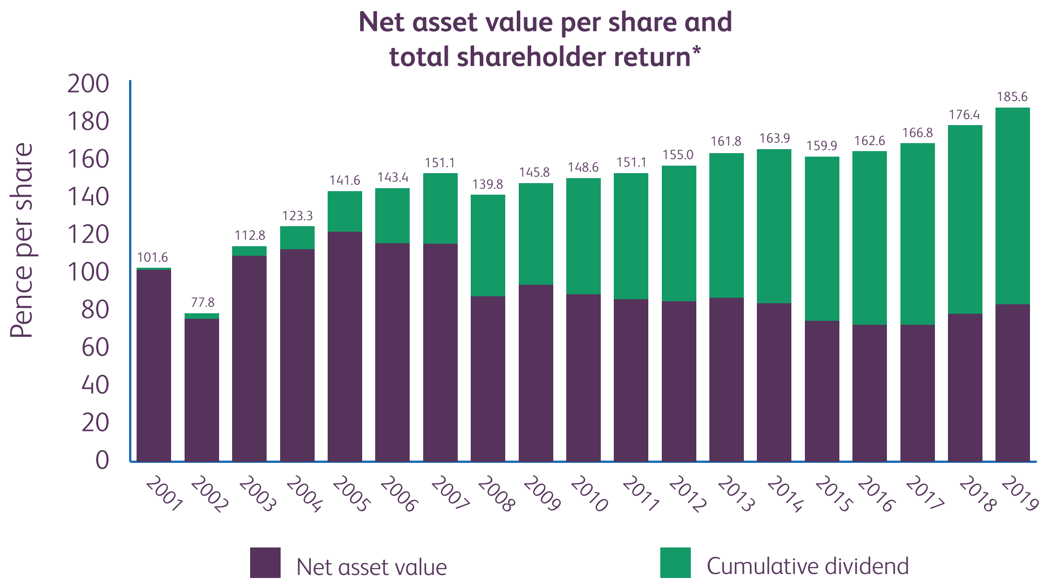
## Future prospects

The Company's portfolio remains well balanced across sectors and risk classes. Following a promising result for the year, and the performance of the growth and technology investments in recent years, the Board has confidence in the future performance of the Company. The Manager has a strong pipeline of investment opportunities in which the Company's cash can be deployed.

## Key performance indicators ("KPIs") and alternative performance measures ("APMs")

The Directors believe that the following KPIs and APMs, 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. The Directors are satisfied that the results shown in the following KPIs and APMs give a good indication that the Company is achieving its investment objective and policy. These are:

1. Net asset value per share and total shareholder return




Source: Albion Capital Group LLP

Total shareholder return increased by 9.18 pence to 185.58 pence per Ordinary share for the year ended 31 December 2019 (11.9 per cent. on the opening net asset value).

The graph on page 4 reflects the total shareholder return performance of the Company relative to the FTSE All-share Index.

2. Shareholder return in the year†

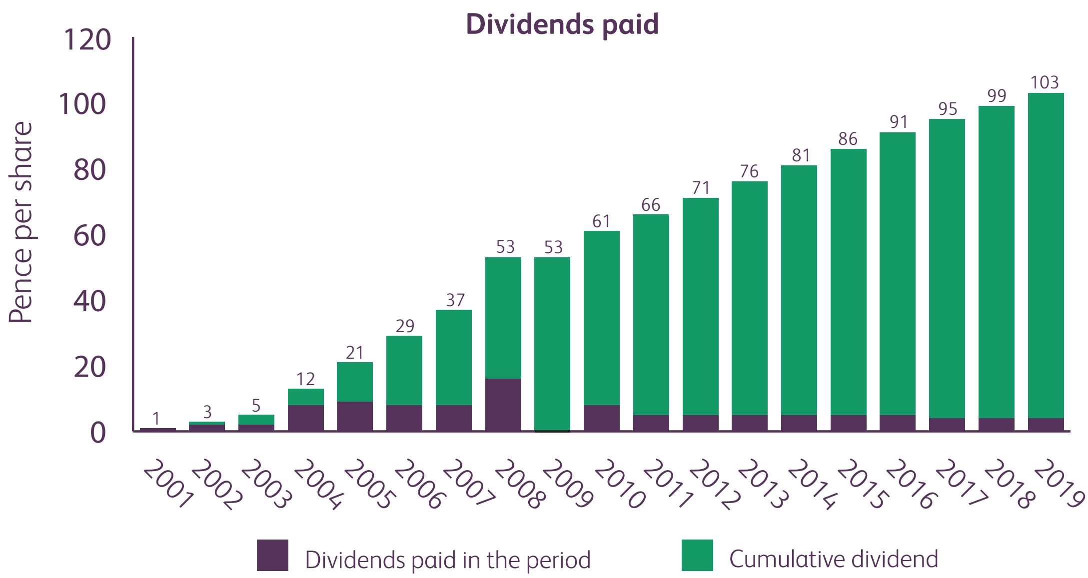
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| 3.0% | 2.9% | 4.6% | 8.0% | 2.5% | (4.7%) | 3.6% | 6.0% | 13.2% | 11.9% |

Source: Albion Capital Group LLP

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

Annual total return to shareholders has remained positive for the fourth consecutive year and for the year ended 31 December 2019 was 11.9%.

3. Dividend distributions



Dividends paid in respect of the year ended 31 December 2019 were 4.0 pence per share (2018: 4.0 pence per share), in line with the Board's dividend objective. Cumulative dividends paid since inception are 103.0 pence per Ordinary share. The returns to Shareholders who have acquired shares through the C share issue in 2006 and the merger with Albion Income & Growth VCT in 2013 are shown on page 5. Shareholders who have acquired shares through Top Up Offers, the dividend reinvestment scheme or in the market outside the corporate events will be able to calculate their own returns based on the price at which they acquired their shares, the dividends they have received since the purchase and the current net asset value of their holding.

### 4. Ongoing charges

As agreed with the Manager in 2015, the ongoing charges ratio for the year to 31 December 2019 was capped at 2.75 per cent. (2018: 2.75 per cent.) from a previous cap of 3 per cent. with any excess over the cap being a reduction in the management fee. The ongoing charges ratio has been calculated using The Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the total recurring annual running expenses (including investment management fees charged to capital reserve) as a percentage of the average net assets attributable to shareholders. The Directors expect the ongoing charges ratio for the year ahead to be 2.75 per cent. (capped at 2.75 per cent.).

The reduction in management fees payable to Albion Capital Group LLP in the year, due to the expense cap, amounted to £136,000 (2018: £136,000).

### 5. VCT regulation*

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007, details of which are provided in the Directors' report on page 31.

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 December 2019. These showed that the Company has complied with all tests and continues to do so.

*VCT compliance is not a numerical measure of performance and thus cannot be defined as an APM.

**Gearing**

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. Although the investment policy permits the Company to borrow, the Directors do not currently have any intention of utilising long-term gearing and have not done so in the past.

**Operational arrangements**

The Company has delegated the investment management of the portfolio to Albion Capital Group LLP, which is authorised and regulated by the Financial Conduct Authority. Albion Capital Group LLP also provides company secretarial and other accounting and administrative support to the Company under the Management agreement, as well as acting as the Company's AIFM.

**Management agreement**

Under the Management agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management agreement can be terminated by either party on 12 months' notice 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 2.5 per cent. of the net asset value of the Company, payable quarterly in arrears. The total annual running costs of the Company, including fees payable to Albion, Directors' fees, professional fees and the costs incurred by the Company in the ordinary course of business (but excluding any exceptional items and performance fees payable to Albion) are capped at an amount equal to 2.75 per cent. of the Company's net assets, with any excess being met by Albion by way of a reduction in management fees.

Additionally, Albion agreed to reduce that proportion of its management fee relating to the investment in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") in order to avoid any double charging for the investment exposure.

The Manager is also entitled to an arrangement fee on investment, payable by each portfolio company, of approximately 2 per cent. of each investment made and monitoring fees where the Manager has a representative on the portfolio company's board. Further details of the Manager's fee can be found in note 5.

**Management performance incentive**

In order to provide the Manager with an incentive to maximise the return to investors, the Manager is entitled to charge an incentive fee in the event that the returns exceed minimum target levels per share.

Under the incentive arrangement, if the net asset value per share at the end of a financial period, when added to the aggregate dividends per share (both revenue and capital) paid to that date, exceeds £1 as increased at the rate of RPI plus 2 per cent. per annum uncompounded from the date of first admission to the Official List of the relevant class of share, then the Manager will be entitled to an incentive fee equal to 15 per cent. of such excess. In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods.

The fee if applicable, will be payable annually. No performance fee has arisen during the year (2018: £nil). The performance threshold at 31 December 2019 was 199.72 pence for the Ordinary shares, 172.92 pence for the former C shares and 178.72 pence for the former Income & Growth shares which compare to total returns of 185.58 pence, 108.41 pence and 112.32 pence respectively, based on the latest NAV.

**Investment and co-investment**

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

**Liquidity Management**

The Board examines regularly both the liquidity of the Company's shares in the secondary market, which is substantially influenced by the use of share buy back and share issuance, and the liquidity of the Company's portfolio. The nature of a venture capital portfolio is longer term and relatively illiquid in the short term. Consequently, the Company maintains sufficient liquidity in cash and near cash assets to cover the operating costs of the Company and to meet dividend payments and share buy back, as well as to have the capacity to make fresh investments when the opportunities arise. Although the Company is authorised to borrow, in practice it does not borrow. The Board has no intention that the Company should borrow given the nature of the Company's investments, a number of which have their own gearing. Management of liquidity is one of the key operational issues that the Board discusses regularly with the Manager.

**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. (80 per cent. from 1 January 2020 for the Company) qualifying holdings investment requirement for venture capital trust status;
- the long term prospects of the current portfolio of investments;
- a review of the Management agreement and the services provided therein;
- benchmarking the performance of the Manager to other service providers including the performance of other VCTs that the Manager is responsible for managing; and
- the contribution made by the administration and secretarial team to the operation of the Company.

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 appointed Albion Capital Group LLP as the Company's AIFM in June 2014 as required by the AIFMD. The Manager became a full-scope Alternative Investment Fund Manager under the AIFMD on 1 October 2018. As a result, from that date, Ocorian (UK) Limited was appointed as Depositary to oversee the custody and cash arrangements and provide other AIFMD duties with respect to the Company.

**Companies Act 2006 Section 172 Reporting**

Under Section 172 of the Companies Act 2006, the Board has a duty to promote the success of the Company for the benefit of its members as a whole, having regard to the interests of other stakeholders in the Company, such as suppliers, and to do so with an understanding of the impact on the community and environment and with high standards of business conduct, which includes acting fairly between members of the Company.

The Board is very conscious of these wider responsibilities in the ways it promotes the Company's culture and ensures, as part of its regular oversight, that the integrity of the Company's affairs is foremost in the way the activities are managed and promoted. This includes regular engagement with the wider stakeholders of the Company and being alert to issues that might damage the Company's standing in the way that it operates. The Board works very closely with the Manager in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how the affairs are conducted.

The Board considers its significant stakeholder groups to be its Shareholders; suppliers, including direct agents of the Company such as the Manager to whom most executive functions are delegated; the community and the environment in the way that investments are made and managed.

The Company's shareholders are key to the success of the Company. The Board seeks to create value for Shareholders by generating strong and sustainable returns to provide Shareholders with a strong, predictable dividend flow and the prospect of capital growth. The Company has in place a buyback back policy as an important means of providing market liquidity for shareholders. Details regarding the current buy-back policy can be found on page 8 of the Chairman's statement. These important components, performance, predictable income return and liquidity when required are fundamental tenets of the way in which the Company operates for its Shareholders.

Shareholders' views are important. The Board encourages Shareholders to vote on the resolutions at the Annual General Meeting. The Company's Annual General Meeting is used typically as an opportunity to communicate with investors, including through a presentation made by the investment management team. However, as detailed in the Chairman's statement on page 8, there will be no presentation from the Manager or from a portfolio company, and we will not be providing lunch after this year's AGM due to the impact of the Covid-19 outbreak. (Details of the location and time of the Annual General Meeting can be found in the Directors report on page 33.)

Shareholders are also encouraged to attend the annual Shareholders' Seminar. The seminars include some of the portfolio companies sharing insights into their businesses and also have presentations from Albion executives on some of the key factors affecting the investment outlook, as well as a review of the past year and the plans for the year ahead. Details of the seminar event are placed on the Manager's website. Representatives of the Board attend the seminars.

The Company is an externally managed investment company with no employees, and as such has nothing to report in relation to employee engagement but does keep close attention to how the Board operates as a cohesive and competent unit. The Company also has no customers in the traditional sense and, therefore, there is also nothing to report in relation to relationships with customers.

The Company's suppliers are fundamental to the operations of the Company, particularly Albion Capital Group LLP as the Manager, given that day-to-day management responsibilities are sub-contracted to the Manager. Details of the Manager's and Board's responsibilities can be found in the Statement of corporate governance on pages 36 to 40.

The contractual arrangements with all the principal suppliers to the Company are reviewed regularly and formally once a year, alongside the performance of the suppliers in acquitting their responsibilities. The performance of the Manager in managing the portfolio and in providing company secretarial, administration and accounting services is reviewed in detail each year, which includes reviewing comparator engagement terms and portfolio performance. Further details on the evaluation of the Manager, and the decision to continue the appointment of the Manager for the forthcoming year, can be found in this report on page 14.

The Board receives reports on Environmental, Social and Governance ("ESG") factors within its portfolio from Albion Capital Group LLP as it is a signatory of the UN Principles for Responsible Investment. Further details of this are set out below. ESG, without its specific definition, has always been at the heart of the responsible investing that the Company engages in and in how the Company conducts itself with all of its stakeholders.

The Board, although non-executive, is fully engaged in both oversight and the general strategic direction of the Company. During the year the Board's main strategic discussions focussed around cash management and deployment of cash for future investments, dividends and share buyback, resulting in the decision not to participate in the Albion VCTs Top Up Offers 2019/20. Time was also spent in ensuring the Board met Corporate Governance requirements which continue to evolve, including the introduction of the new AIC Code last year.

**Environmental, Social, and Governance ("ESG")**

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

Albion will make its first trial submission in 2020 against this framework and the first full submission in 2021. The trial process in 2020 will identify initial gaps in information being collected and areas that require action. This annual process will inform fuller ESG disclosure by 2021 and create a regular audit function to ensure continual improvement.

To ensure that the principles are starting to be translated into both the investment and portfolio management processes, since June 2019 all quarterly valuations and investment papers include a section covering relevant aspects of ESG for each investment. In addition, all fund level reports also include ESG sections and ESG will be included as a standing item on the agendas of all investment committees and Albion's internal board meetings, and any findings are discussed at Board meetings. Reporting is intentionally light in the first instance, partly due to the stage and nature of investments and to encourage widespread adoption. The level of reporting is expected to build over time as the range of factors to consider increases and as our compliance with the UN PRI guidelines becomes apparent.

The Board and Manager have exercised conscious principles in making responsible investments throughout the life of the Company, not least in providing finance for nascent companies in a variety of important sectors such as technology, healthcare and renewable energy. In making the investments, the Manager is directly involved in the oversight and governance of these investments, including ensuring standards of reporting and visibility on business practices, all of which is reported to the Board of the Company. By its nature, not least in making qualifying investments which fulfil the criteria set by HMRC, the Company has focused on sustainable and longer-term investment propositions, some of which will fail in the nature of small companies, but some of which will grow and serve important societal demands. One of the most important key performance indicators is the quality of the investment portfolio, which goes beyond the individual valuations and examines the prospects of each of the portfolio companies, as well as the sectors in which they operate – all requiring a longer-term view.

The Company adheres to the principles of the AIC Code of Corporate Governance and is also aware of other governance and other corporate conduct guidance which it meets as far as practical, including in the constitution of a diversified and independent board capable of providing constructive challenge but also, through its experience of the Company, continuity over the longer term investments the Company makes.

**Social and community issues, employees and human rights**

The Board recognises the requirement under section 414C of the Companies Act 2006 (the "Act") to detail information about social and community issues, employees and human rights; including any policies it has in relation to these matters and effectiveness of these policies. As an externally managed investment company with no employees, the Company has no requirement for formal policies in these matters, however, it is at the core of our responsible investment as detailed above.

**General Data Protection Regulation ("GDPR")**

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

**Further policies**

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

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

and these are set out in the Directors' report on pages 31 and 32.

**Risk management**

The Board carries out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also identifies emerging risks which might impact on the Company. In the period the most noticeable emerging risk has been the global pandemic which has impacted on not only public health and mobility but also has had an adverse impact on global traded markets, the impact of which, by its nature, is likely to be uncertain for some time and at time of publishing the Annual Report and Accounts is severe.

The Directors have carried out a robust assessment of the Company's disclosures below that describe the principal risks and explain how they are being managed or mitigated. The principal risks and uncertainties of the Company as identified by the Board and how they are managed are as follows:

| Risk | Possible consequence | Risk management |
|---|---|---|
| Investment, performance and valuation risk | The risk of investment in poor quality businesses, which could reduce the capital and income returns to shareholders and could negatively impact on the Company's current and future valuations.<br>By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more volatile than larger, long established businesses.<br>Investments in open-ended equity funds result in exposure to market risk through movements in price per unit.<br>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. | To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on matters discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings. The Board and Manager regularly reviews the deployment of cash resources into equity markets, the extent of exposure and performance of the exposure.<br>The unquoted investments held by the Company are designated at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. The valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. |
| VCT approval risk | The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns. Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status. | To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare & Associates LLP as its taxation adviser, who report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a portfolio company is also pre-cleared with our professional advisers or H.M. Revenue & Customs. The Company monitors closely the extent of qualifying holdings and addresses this as required. |

| Risk | Possible consequence | Risk management |
|---|---|---|
| Regulatory and compliance risk | The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies. | Board members and the Manager have experience of operating at senior levels within or advising quoted companies. In addition, the Board and the Manager receive regular updates on new regulation, including legislation on the management of the Company, from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's compliance officer, and any issues arising from compliance or regulation are reported to its own board on a monthly basis. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's compliance officer. The report on controls is also evaluated by the internal auditors. |
| Market value of Ordinary shares | The market value of Ordinary shares can fluctuate. The market value of an Ordinary share, as well as being affected by its net asset value and prospective net asset value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary share may vary considerably from its underlying net asset value. The market prices of shares in quoted investment companies can, therefore, be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment and other factors, including the ability to exercise share buybacks. Accordingly, the market price of the Ordinary shares may not fully reflect their underlying net asset value. | The Company operates a share buyback policy, which is designed to limit the discount at which the Ordinary shares trade to around 5 per cent. to net asset value, by providing a purchaser through the Company in absence of market purchasers. From time to time buy-backs cannot be applied, for example when the Company is subject to a close period, or if it were to exhaust and could not renew any buyback authorities.<br>New Ordinary shares are issued at sufficient premium to net asset value to cover the costs of issue and to avoid asset value dilution to existing investors. |
| Operational and internal control risk | The Company relies on a number of third parties, in particular the Manager, for the provision of investment management and administrative functions. Failures in key systems and controls within the Manager's business could place assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders. | The Company and its operations are subject to a series of rigorous internal controls and review procedures exercised throughout the year, and receives reports from the Manager on internal controls and risk management, including on matters relating to cyber security.<br>The Audit Committee reviews the Internal Audit Reports prepared by the Manager's internal auditors, PKF Littlejohn LLP. On an annual basis, the Audit Committee chairman meets with the internal audit partner to provide an opportunity to ask specific detailed questions in order to satisfy itself that the Manager has strong systems and controls in place including those in relation to business continuity and cyber security.<br>From 1 October 2018, Ocorian (UK) Limited was appointed as Depositary to oversee the custody and cash arrangements and provide other AIFMD duties. The Board reviews the quarterly reports prepared by Ocorian (UK) Limited to ensure that Albion Capital is adhering to its duties as a full-scope Alternative Investment Fund Manager under the AIFMD.<br>In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment policy. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual. |
| Economic, political and social 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. This also includes risks of social upheaval, including from infection and population re-distribution.<br>Economic risk challenges as a result of healthcare pandemics/infection. | The Company invests in a diversified portfolio of companies across a number of industry sectors and in addition often invests in a mixture of instruments in portfolio companies and has a policy of minimising any external bank borrowings within portfolio companies.<br>At any given time, the Company has sufficient cash resources to meet its operating requirements, including share buy backs and follow on investments.<br>In common with most commercial operations, exogenous risks over which the Company has no control are always a risk. The Company does what it can to address these risks where possible, not least as the nature of the investments the Company makes are long term and influenced by global supply and demand factors. |

**Viability statement**

In accordance with the FRC UK Corporate Governance Code published in 2018 and provision 36 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 31 December 2022. The Directors believe that three years is a reasonable period in which they can assess the future of the Company to continue to operate and meet its liabilities as they fall due and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timelines for finding, assessing and completing investments. The three year period also takes account of the potential new regulations, should they be imposed, and how they may impact the Company over the longer term, and the availability of cash but cannot take into account the exogenous risks that are impacting on global economies at the date of these accounts.

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

The Board assessed the ability of the Company to raise finance and deploy capital, as well as the existing cash resources of the Company. The portfolio is well balanced after the process of reducing the proportion of the portfolio's holdings of older investments. In assessing the prospects of the Company, the Directors have considered the cash flow by looking at the Company's income and expenditure projections and funding pipeline over the assessment period of three years and they appear realistic.

Taking into account the processes for mitigating risks, monitoring costs, share price discount, the Manager's compliance with the investment objective, policies and business model and the balance of the portfolio, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2022.

This Strategic report of the Company for the year ended 31 December 2019 has been prepared in accordance with the requirements of section 414A of the Act. The purpose of this report is to provide shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their duty to promote the success of the Company in accordance with section 172 of the Act.

On behalf of the Board,

**Dr. N E Cross**
Chairman

20 March 2020

# The Board of Directors

The Board provides a wide range of relevant experience and skills and good diversity in its membership. Each member of the Board has demonstrated sufficient time capacity to meet the commitments required in preparing for, attending and participating in periodic board meetings and for all the activities that take place between formal board meetings as an important part of the process of oversight and constructive challenge from an independent board of an investment company. The Board works closely together and reviews succession and allocation of responsibilities on a regular basis.

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

**Dr Neil Cross FCG,** (appointed 6 December 2000) has extensive experience in private equity and corporate governance. He was formerly an executive director of 3i Group plc from 1989 to 1996, having spent 27 years in a variety of investment and management roles, latterly in charge of the group's international operations. He is a past chairman of the European Venture Capital Association. He has also been a non-executive director of a number of listed and private companies and is presently a non-executive director of Caliburn Absolute Strategies SPC.

**Robin Archibald BCom, CA,** (appointed 18 November 2013) qualified as a chartered accountant with Touche Ross in Glasgow in 1983, before transferring with Touche Ross to London where he worked in the corporate finance department. Since 1986, he has worked in corporate finance and corporate broking roles, including for Samuel Montagu, SG Warburg Securities, NatWest Wood Mackenzie and Intelli Corporate Finance. He was a director of Winterflood Investment Trusts until 2014, where he was head of corporate finance and broking from 2004 until 2013. Since the early nineties, he has concentrated on advising and managing transactions in the UK closed-ended funds sector and has gained a wide experience in fundraising, reorganisations and restructuring for all types of listed funds. He is currently a non-executive director of Ediston Property Investment Company PLC, Capital Gearing Trust P.L.C., Henderson European Focus Trust plc and Shires Income plc. Robin provides significant relevant experience to the Company, particularly on corporate matters and as an experienced audit chair in the investment company sector.

**Mary Anne Cordeiro MA,** (appointed 18 November 2013) worked at Goldman Sachs International Limited, first in the mergers and acquisitions department and subsequently in the Financial Institutions Group from 1986 to 1992. She worked in similar roles in corporate finance at Bankers Trust Company and Paribas, and was also co-head of Paribas' Financial Institutions Group, before leaving to found her own business in the finance sector in 1998. More recently she has applied her scientific and financial strategy expertise to the commercialisation of innovation and to funding growth of early stage companies. She currently advises a number of medical technology businesses and has helped develop strategies to bring new products and services to market. She is also a member of the Development Board of the University of Oxford's Department of Chemistry. Mary Anne has an MA in Chemistry from University of Oxford.

**Modwenna Rees-Mogg MA,** (appointed 4 October 2012) began her career as a corporate financier at Kleinwort Benson Limited, then founded the online media and live events business AngelNews in 2003, which is focused on the early stage investment market, with a special focus on private investors. The company's activities include The VCT & EIS Investor Forum and The Great British Private Investor Summit. She is the author of "Dragons or Angels" and "Crowdfunding", books on angel investing and crowd funding respectively. She is a non-executive director of Asset Match Limited and runs The Pluralists Club for senior executives developing and running portfolio careers.

**Patrick Reeve MA, FCA,** (appointed 11 December 2003) was formerly the managing partner of Albion Capital and became chairman on 1 April 2019. He is a director of Albion Development VCT and Albion Enterprise VCT, and is chairman of OLIM Investment Managers. He is also a member of the Audit Committee of University College London, and a director of the Association of Investment Companies. Patrick joined Close Brothers Group plc in 1989 before establishing Albion Capital (formerly Albion Ventures LLP) in 1996. Prior to Close he qualified as a chartered accountant before joining Cazenove & Co. Patrick has an MA in Modern Languages from Oxford University. Patrick, although considered non-independent for governance purposes, contributes both direct investment experience and wider perspective in the venture capital markets.

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

All Directors, except for Patrick Reeve, are members of the Nomination Committee and Dr. Neil Cross is Chairman.

All Directors, except for Patrick Reeve, are members of the Remuneration Committee and Modwenna Rees-Mogg is Chairman.

Robin Archibald is the Senior Independent Director.

# The Manager

Albion Capital Group LLP, is authorised and regulated by the Financial Conduct Authority and is the Manager of Albion Technology & General VCT PLC. In addition, it manages a further five venture capital trusts, the UCL Technology Fund, the Albion Real Assets Fund and Albion Community Power and provides administration services to Albion Care Communities Limited. Albion Capital, together with its subsidiary, OLIM Investment Managers, currently has total assets under management or administration of approximately £1 billion. Albion Capital has recently won an award for Best Generalist VCT at Investment Week Tax Efficiency Awards 2019/20.

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

**Will Fraser-Allen BA (Hons), FCA,** is the managing partner of Albion Capital. He has 18 years' experience investing in healthcare, leisure, media and technology enabled businesses. He joined Albion Capital in 2001, became deputy managing partner in 2009 and managing partner in 2019. Prior to joining Albion, Will qualified as a chartered accountant with Cooper Lancaster Brewers and has a BA in History from Southampton University.

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

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

**Jessica Bartos, MA (Hons)** is an investment manager at Albion Capital, concentrating on technology investments. Prior to joining Albion Capital in 2019, Jessica spent four years in the technology, media and telecoms team at Rothschild in New York and London, and previously worked for Mizuho Securities in New York and the Export-Import Bank of the United States in Washington. Jessica graduated from the University of Pennsylvania with a BA in European History and from John Hopkins University with an MA in International Economics.

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

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

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

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

Albion Capital

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

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

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

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

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

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

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

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

# Portfolio of investments

| Portfolio company | % voting rights | % voting rights held by all Albion* managed companies | As at 31 December 2019 Cost £'000 | As at 31 December 2019 Cumulative movement in value £'000 | As at 31 December 2019 Value £'000 | As at 31 December 2018 Cost £'000 | As at 31 December 2018 Cumulative movement in value £'000 | As at 31 December 2018 Value £'000 | Change in value for the year** £'000 |
|---|---|---|---|---|---|---|---|---|---|
| Radnor House School (TopCo) Limited | 14.8 | 48.3 | **2,710** | **2,019** | **4,729** | 5,338 | 6,184 | 11,522 | **229** |
| Chonais River Hydro Limited | 15.7 | 50.0 | **2,169** | **1,952** | **4,121** | 2,169 | 2,013 | 4,182 | **(61)** |
| Mirada Medical Limited | 12.9 | 42.4 | **1,321** | **2,107** | **3,428** | 978 | 2,378 | 3,356 | **(135)** |
| Quantexa Limited | 3.0 | 12.1 | **773** | **2,429** | **3,202** | 773 | 2,429 | 3,202 | **–** |
| Proveca Limited | 7.2 | 49.9 | **1,184** | **1,636** | **2,820** | 729 | 917 | 1,646 | **719** |
| Gharagain River Hydro Limited | 18.5 | 50.0 | **1,526** | **685** | **2,211** | 1,526 | 685 | 2,211 | **–** |
| Egress Software Technologies Limited | 2.2 | 24.7 | **765** | **1,349** | **2,114** | 765 | 1,349 | 2,114 | **–** |
| Oxsensis Limited | 12.3 | 18.2 | **1,886** | **163** | **2,049** | 1,548 | (177) | 1,371 | **340** |
| G. Network Communications Limited | 3.3 | 14.8 | **337** | **1,491** | **1,828** | 1,050 | 1,195 | 2,245 | **296** |
| MHS1 Limited | 22.5 | 50.0 | **1,565** | **(5)** | **1,560** | 1,565 | (5) | 1,560 | **–** |
| The Street by Street Solar Programme Limited | 8.1 | 50.0 | **895** | **642** | **1,537** | 895 | 557 | 1,452 | **85** |
| Cantab Research Limited (T/A Speechmatics) | 3.7 | 12.9 | **1,486** | **–** | **1,486** | – | – | – | **–** |
| TWCL Limited | 25.2 | 50.0 | **1,502** | **(95)** | **1,407** | 1,502 | (85) | 1,417 | **(10)** |
| Elliptic Enterprises Limited | 1.8 | 6.7 | **1,402** | **–** | **1,402** | – | – | – | **–** |
| Regenerco Renewable Energy Limited | 7.9 | 50.0 | **822** | **530** | **1,352** | 822 | 449 | 1,271 | **81** |
| Oviva AG | 3.1 | 13.0 | **914** | **382** | **1,296** | 665 | 6 | 671 | **376** |
| memsstar Limited | 30.1 | 44.7 | **646** | **630** | **1,276** | 906 | 548 | 1,454 | **82** |
| Beddlestead Limited | 9.8 | 49.0 | **1,200** | **–** | **1,200** | 1,000 | – | 1,000 | **–** |
| Convertr Media Limited | 6.9 | 26.7 | **1,105** | **24** | **1,129** | 975 | 427 | 1,402 | **(403)** |
| DySIS Medical Limited | 4.7 | 13.5 | **2,589** | **(1,486)** | **1,103** | 2,589 | (1,267) | 1,322 | **(219)** |
| The Evewell (Harley Street) Limited | 8.3 | 40.0 | **1,101** | **–** | **1,101** | 1,039 | – | 1,039 | **–** |
| Panaseer Limited | 3.2 | 11.6 | **752** | **281** | **1,033** | 557 | 214 | 771 | **67** |
| MPP Global Solutions Limited | 2.9 | 12.2 | **950** | **–** | **950** | 950 | – | 950 | **–** |
| Alto Prodotto Wind Limited | 6.9 | 50.0 | **633** | **305** | **938** | 661 | 325 | 986 | **(6)** |
| The Q Garden Company Limited | 33.4 | 50.0 | **934** | **(2)** | **932** | 934 | (2) | 932 | **–** |
| Black Swan Data Limited | 2.4 | 14.7 | **870** | **–** | **870** | 828 | – | 828 | **–** |
| InCrowd Sports Limited | 5.0 | 17.8 | **636** | **185** | **821** | 294 | 28 | 322 | **157** |
| SBD Automotive Limited (previously Secured by Design Limited) | 2.7 | 10.0 | **410** | **387** | **797** | 410 | 253 | 663 | **134** |
| Locum's Nest Limited | 9.8 | 24.1 | **675** | **(34)** | **641** | 675 | 41 | 716 | **(75)** |
| Koru Kids Limited | 1.6 | 9.3 | **345** | **192** | **537** | 204 | – | 204 | **192** |
| Premier Leisure (Suffolk) Limited | 25.8 | 47.4 | **454** | **53** | **507** | 454 | 67 | 521 | **(14)** |
| Zift Channel Solutions Inc. | 1.6 | 6.4 | **881** | **(378)** | **503** | 881 | 113 | 994 | **(491)** |
| Albion Investment Properties Limited | 31.8 | 100.0 | **434** | **(1)** | **433** | 434 | (29) | 405 | **28** |
| Erin Solar Limited | 15.7 | 50.0 | **440** | **(17)** | **423** | 440 | (19) | 421 | **2** |
| Sandcroft Avenue Limited (T/A Hussle) | 2.1 | 21.2 | **427** | **(6)** | **421** | 397 | 16 | 413 | **(22)** |
| MyMeds&Me Limited | 4.6 | 42.1 | **439** | **(23)** | **416** | 439 | (23) | 416 | **–** |
| Cisiv Limited | 7.8 | 30.9 | **695** | **(295)** | **400** | 695 | (28) | 667 | **(267)** |
| Avora Limited | 2.2 | 16.7 | **400** | **–** | **400** | – | – | – | **–** |
| Phrasee Limited | 1.9 | 11.0 | **392** | **–** | **392** | 392 | – | 392 | **–** |
| AVESI Limited | 8.0 | 50.0 | **259** | **128** | **387** | 259 | 121 | 380 | **7** |

# Portfolio of investments continued

| Portfolio company | % voting rights | % voting rights held by all Albion* managed companies | As at 31 December 2019 Cost £'000 | Cumulative movement in value £'000 | Value £'000 | As at 31 December 2018 Cost £'000 | Cumulative movement in value £'000 | Value £'000 | Change in value for the year** £'000 |
|---|---|---|---|---|---|---|---|---|---|
| Limitless Technology Limited | 2.5 | 12.9 | 380 | – | 380 | – | – | – | – |
| Clear Review Limited | 2.9 | 14.4 | 367 | – | 367 | – | – | – | – |
| ePatient Network Limited (T/A Raremark) | 2.4 | 14.8 | 230 | 80 | 310 | 115 | – | 115 | 80 |
| OmPrompt Holdings Limited | 3.3 | 41.2 | 306 | (10) | 296 | 266 | (86) | 180 | 76 |
| Harvest AD Limited | n/a | n/a | 210 | 15 | 225 | 210 | 22 | 232 | (7) |
| Arecor Limited | 1.2 | 7.4 | 220 | – | 220 | 220 | – | 220 | – |
| Healios Limited | 0.7 | 4.5 | 216 | – | 216 | 80 | – | 80 | – |
| Abcodia Limited | 3.2 | 19.5 | 549 | (355) | 194 | 549 | (355) | 194 | – |
| uMotif Limited | 1.1 | 6.2 | 255 | (70) | 185 | 170 | – | 170 | (70) |
| Greenenerco Limited | 3.1 | 50.0 | 97 | 70 | 167 | 102 | 70 | 172 | 3 |
| Imandra Inc. | 1.6 | 7.9 | 151 | – | 151 | – | – | – | – |
| Mi-Pay Group plc† | 19.6 | 31.6 | 135 | – | 135 | 4,163 | (3,401) | 762 | – |
| Innovation Broking Group Limited | 6.0 | 30.0 | 60 | 74 | 134 | 60 | 44 | 104 | 30 |
| Aridhia Informatics Limited | 4.9 | 21.6 | 950 | (825) | 125 | 887 | (567) | 320 | (258) |
| Forward Clinical Limited | 1.6 | 9.2 | 196 | (81) | 115 | 170 | – | 170 | (81) |
| Symetrica Limited | 0.3 | 5.0 | 68 | (5) | 63 | – | – | – | (5) |
| Palm Tree Technology Limited | 0.5 | 0.7 | 320 | (287) | 33 | 320 | (287) | 33 | – |
| Elements Software Limited | 3.3 | 4.5 | 19 | (19) | – | 19 | (19) | – | – |
| **Total fixed asset investments** | | | **43,653** | **13,815** | **57,468** | 44,069 | 14,101 | 58,170 | **860** |

*Albion Capital Group LLP
**as adjusted for additions and disposals during the year
†The accounting cost as shown above is after deducting realised losses of £4,029,000 for Mi-Pay Group PLC which is still held at the Balance sheet date.

The comparative cost and valuations for 31 December 2018 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2018 as the above list does not include brought forward investments that were fully disposed of in the year.

| | As at 31 December 2019 Cost £'000 | Cumulative movement in value £'000 | Value £'000 | As at 31 December 2018 Cost £'000 | Cumulative movement in value £'000 | Value £'000 | Change in value for the year** £'000 |
|---|---|---|---|---|---|---|---|
| SVS Albion OLIM UK Equity Income Fund | 2,260 | (67) | 2,193 | 2,260 | (339) | 1,921 | 272 |
| **Total current asset investments** | **2,260** | **(67)** | **2,193** | 2,260 | (339) | 1,921 | **272** |

# Portfolio of investments continued

| Fixed asset investment realisations during the year to 31 December 2019 | Cost £'000 | Opening carrying value £'000 | Disposal proceeds £'000 | Total realised gain/(loss) £'000 | Gain/(loss) on opening value £'000 |
|---|---|---|---|---|---|
| **Disposals:** | | | | | |
| Process Systems Enterprise Limited | 2,160 | 4,863 | 14,273 | 12,113 | 9,410 |
| Radnor House School (TopCo) Limited | 2,628 | 7,022 | 7,148 | 4,520 | 126 |
| Bravo Inns II Limited | 2,639 | 3,368 | 3,957 | 1,318 | 589 |
| Earnside Energy Limited | 2,059 | 2,482 | 2,334 | 275 | (148) |
| Bravo Inns Limited | 2,411 | 1,817 | 2,011 | (400) | 194 |
| Tambla Limited | 68 | 37 | 39 | (29) | 2 |
| | | | | | |
| **Loan stock repayments and conversions:** | | | | | |
| Mirada Medical Limited | 564 | 700 | 746 | 182 | 46 |
| G. Network Communications Limited | 713 | 713 | 713 | – | – |
| Black Swan Data Limited | 233 | 233 | 275 | 42 | 42 |
| memsstar Limited | 260 | 260 | 260 | – | – |
| Alto Prodotto Wind Limited | 28 | 43 | 43 | 15 | – |
| Greenenerco Limited | 5 | 7 | 7 | 2 | – |
| | | | | | |
| **Escrow adjustments and other:** | | | | | |
| Escrow adjustments* | – | – | 150 | 150 | 150 |
| Mi-Pay Group plc** | 4,029 | 628 | – | (4,029) | (628) |
| **Total realisations** | **17,797** | **22,173** | **31,956** | **14,159** | **9,783** |

*Fair value movements on deferred consideration from previously disposed investments.

**The accounting cost as shown above represents realised losses of investments still held at the Balance sheet date.

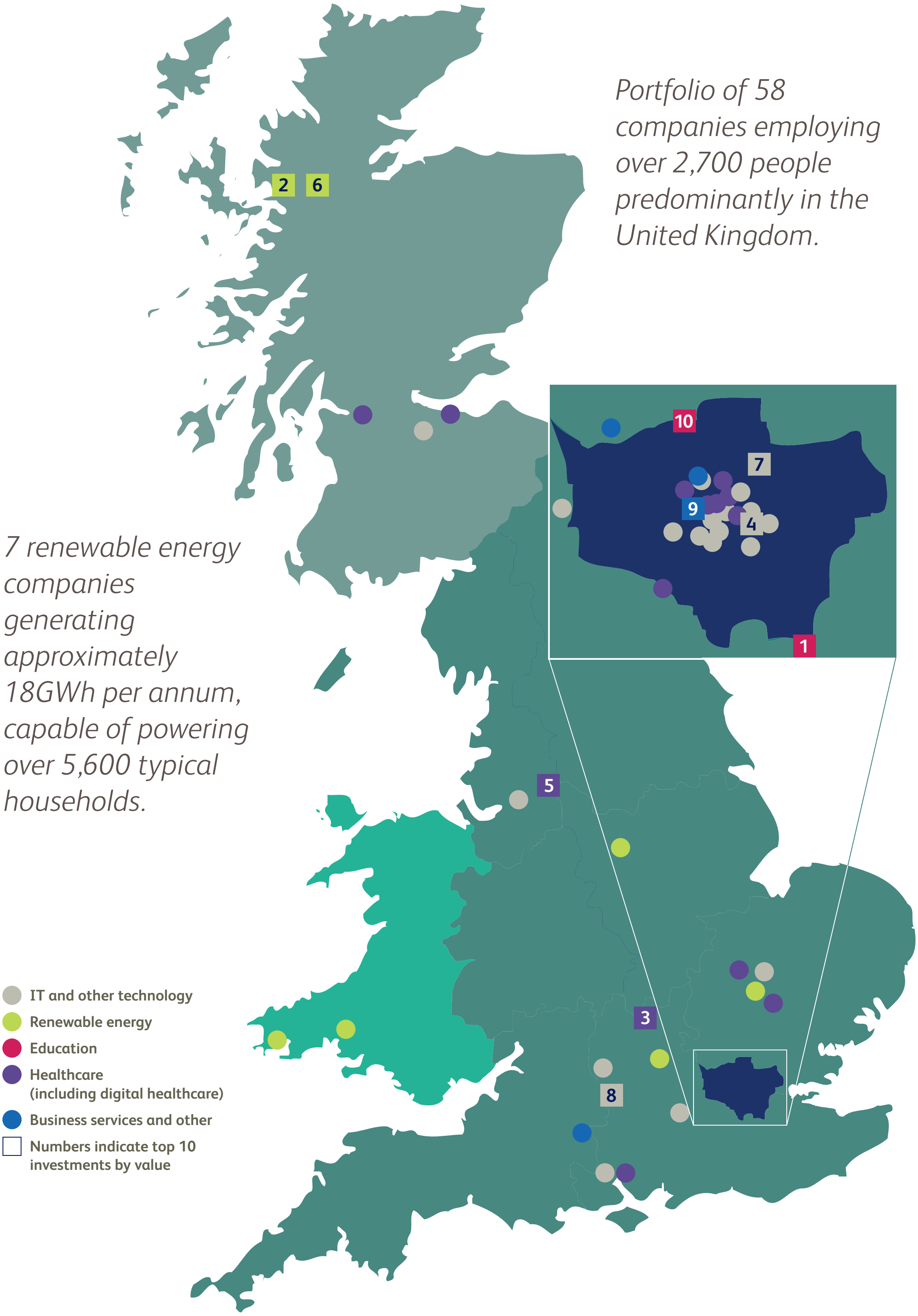
| | |
|---|---|
| **Total change in value of investments for the year** | **860** |
| Movement in loan stock accrued interest | 255 |
| **Unrealised gains on fixed asset investments** | **1,115** |
| Realised gains on fixed asset investments | 9,783 |
| Unrealised gains on current asset investments | 272 |
| **Total gains on investments as per Income statement** | **11,170** |

# Portfolio companies

## Geographical locations

*Portfolio of 58 companies employing over 2,700 people predominantly in the United Kingdom.*

*7 renewable energy companies generating approximately 18GWh per annum, capable of powering over 5,600 typical households.*



# Portfolio companies continued

## The top ten fixed asset investments by value are below.

Website: www.radnorhouse.org

### 1. Radnor House School (TopCo) Limited

Radnor House operates a co-educational independent school in Sevenoaks. The school, which was acquired in 2015 as a turnaround opportunity, is now growing strongly with over 450 children on the roll and further capacity to expand. It aims to deliver a personalised education experience to each student. The curriculum and co-curricular activities are designed to give each child a wide range of academic and other skills and prepare him or her for a dynamic and rapidly changing world.

| Audited results: year to 31 August 2018 | £'000 |
|---|---|
| Turnover | 12,952 |
| EBITDA | 2,194 |
| Profit before tax | 40 |
| Net assets | 37,636 |
| Basis of valuation | Third party valuation – earnings multiple |

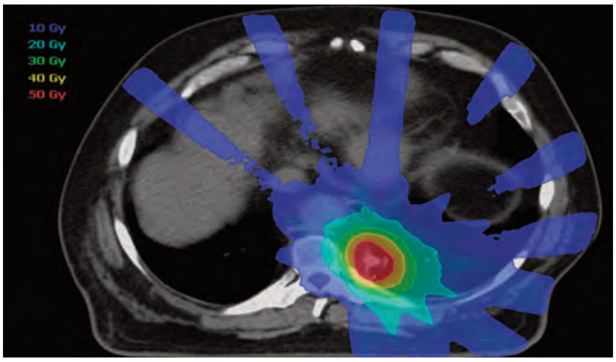
| Investment information | £'000 |
|---|---|
| Income recognised in the year | 382 |
| Total cost | 2,710 |
| Valuation | 4,729 |
| Voting rights | 14.8 per cent. |
| Voting rights for all Albion managed companies | 48.3 per cent. |

### 2. Chonais River Hydro Limited

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

| Filleted audited results: year to 30 September 2018 | £'000 |
|---|---|
| Net liabilities | (89) |
| Basis of valuation | Third party valuation – discounted cash flow |

| Investment information | £'000 |
|---|---|
| Income recognised in the year | 129 |
| Total cost | 2,169 |
| Valuation | 4,121 |
| Voting rights | 15.7 per cent. |
| Voting rights for all Albion managed companies | 50.0 per cent. |




Website: www.mirada-medical.com

### 3. Mirada Medical Limited

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

| Audited results: year to 31 December 2018 | £'000 |
|---|---|
| Turnover | 4,668 |
| LBITDA | (778) |
| Loss before tax | (1,115) |
| Net liabilities | (2,576) |
| Basis of valuation | Cost and price of recent investment (reviewed for impairment or uplift) |

| Investment information | £'000 |
|---|---|
| Income recognised in the year | 5 |
| Total cost | 1,321 |
| Valuation | 3,428 |
| Voting rights | 12.9 per cent. |
| Voting rights for all Albion managed companies | 42.4 per cent. |

# Portfolio companies continued

Website: www.quantexa.com

## 4. Quantexa Limited

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

| Audited results: year to 31 March 2019 | £'000 |
|---|---|
| Turnover | 10,238 |
| LBITDA | (7,039) |
| Loss before tax | (7,182) |
| Net assets | 9,689 |
| Basis of valuation | Cost and price of recent investment (reviewed for impairment or uplift) |

| Investment information | £'000 |
|---|---|
| Income recognised in the year | – |
| Total cost | 773 |
| Valuation | 3,202 |
| Voting rights | 3.0 per cent. |
| Voting rights for all Albion managed companies | 12.1 per cent. |

## 5. Proveca Limited

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


Website: www.proveca.co.uk

| Filleted audited results year to 31 July 2018 | £'000 |
|---|---|
| Net liabilities | (5,548) |
| Basis of valuation | Cost and price of recent investment (reviewed for impairment or uplift) |

| Investment Information | £'000 |
|---|---|
| Income recognised in the year | – |
| Total cost | 1,184 |
| Total valuation | 2,820 |
| Voting rights | 7.2 per cent. |
| Voting rights for all Albion managed companies | 49.9 per cent. |

# Portfolio companies continued

## 6. Gharagain River Hydro Limited

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

| Filleted audited results: year to 30 September 2018 | £'000 |
|---|---|
| Net assets | 181 |
| Basis of valuation | Third party valuation – discounted cash flow |

| Investment information | £'000 |
|---|---|
| Income recognised in the year | 74 |
| Total cost | 1,526 |
| Valuation | 2,211 |
| Voting rights | 18.5 per cent. |
| Voting rights for all Albion managed companies | 50.0 per cent. |

Website: www.egress.com

## 7. Egress Software Technologies Limited

Egress has developed a cloud-based secure communication platform that offers encryption services including email, file transfer, document collaboration and archiving. Egress serves local and central government in the UK, as well as the finance, legal and healthcare sectors in the UK and increasingly now in the US.

| Audited results: year to 31 December 2018 | £'000 |
|---|---|
| Turnover | 11,747 |
| LBITDA | (5,165) |
| Loss before tax | (5,324) |
| Net assets | 11,212 |
| Basis of valuation | Cost and price of recent investment (reviewed for impairment or uplift) |

| Investment information | £'000 |
|---|---|
| Income recognised in the year | – |
| Total cost | 765 |
| Valuation | 2,114 |
| Voting rights | 2.2 per cent. |
| Voting rights for all Albion managed companies | 24.7 per cent. |

## 8. Oxsensis Limited

Oxsensis has developed innovative, unique and patented optical sensors which can operate in extremely harsh environments, such as in the combustor of a gas turbine. Oxsensis ' sensors are a technology vital to the OEMs to make their gas turbines cleaner, more fuel efficient and more reliable by enabling gas turbines, both aero and land based, to run within tighter tolerances.

Website: www.oxsensis.com

| Filleted audited results: year to 31 December 2018 | £'000 |
|---|---|
| Net liabilities | (1,841) |
| Basis of valuation | Cost and price of recent investment (reviewed for impairment or uplift) |

| Investment information | £'000 |
|---|---|
| Income recognised in the year | – |
| Total cost | 1,886 |
| Valuation | 2,049 |
| Voting rights | 12.3 per cent. |
| Voting rights for all Albion managed companies | 18.2 per cent. |


Website: www.g.network

## 9. G. Network Communications Limited

G.Network is a fibre optic broadband provider focused on the provision of fibre broadband to SMEs in central London. Albion funds invested £4.675 million in total in 2017. The Albion funds were used to ramp up the build out of street units, as well as building the team. Cube Infrastructure then invested £60m in October 2018 to continue the scale up of deployment as well as repaying £4.1m of VCT loan stock and interest across all Albion VCTs.

| Filleted audited results: year to 31 March 2019 | £'000 |
|---|---|
| Net assets | 11,994 |
| Basis of valuation | Cost and price of recent investment (reviewed for impairment or uplift) |

| Investment information | £'000 |
|---|---|
| Income recognised in the year | 182 |
| Total cost | 337 |
| Valuation | 1,828 |
| Voting rights | 3.3 per cent. |
| Voting rights for all Albion managed companies | 14.8 per cent. |

## 10. MHS 1 Limited

MHS1 owns and operates Mount House School, an independent co-educational senior day school in North London.

| Filleted audited results: year to 31 August 2018 | £'000 |
|---|---|
| Net liabilities | (6,044) |
| Basis of valuation | Cost and price of recent investment (reviewed for impairment or uplift) |

| Investment information | £'000 |
|---|---|
| Income recognised in the year | – |
| Total cost | 1,565 |
| Valuation | 1,560 |
| Voting rights | 22.5 per cent. |
| Voting rights for all Albion managed companies | 50.0 per cent. |

# Directors' report

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Technology & General VCT PLC (the "Company") for the year ended 31 December 2019. The Statement of corporate governance on pages 36 to 40 forms a part of the Directors' report.

## BUSINESS REVIEW

### Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ('HMRC') as a venture capital trust in accordance with 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 31 of this Directors' report. Approval for the year ended 31 December 2019 is subject to review should there be any subsequent enquiry under corporation tax self-assessment.

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

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

### Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 15. The Ordinary shares are designed for individuals who are professionally advised private investors, seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments. The investments are spread over a number of sectors, to produce a regular and predictable source of income, combined with the prospect of longer term capital growth.

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

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

### Issue and buy-back of Ordinary shares

During the year the Company issued a total of 10,912,848 Ordinary shares, of which 10,080,297 Ordinary shares (2018: 3,626,033 Ordinary shares) were issued under the Albion VCTs Top Up Offers; and 832,551 Ordinary shares (2018: 816,245 Ordinary shares) were issued under the Company's Dividend Reinvestment Scheme.

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current buy-back policy can be found on page 8 of the Chairman's statement. Details on share buy-backs during the year can be found in note 15.

### Substantial interests and shareholder profile

As at 31 December 2019 and the date of this report, the Company was not aware of any shareholder who had a beneficial interest exceeding 3 per cent. of voting rights. There have been no disclosures in accordance with Disclosure Guidance and Transparency Rule 5 made to the Company during the year ended 31 December 2019, and up to the date of this report.

### Future developments of the business

Details on the future developments of the business can be found on page 9 of the Chairman's statement and on page 11 of the Strategic report.

### Results and dividends

Detailed information on the results and dividends for the year ended 31 December 2019 can be found in the Strategic report on page 11.

### Going concern

In accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014, the Board has assessed the Company's operation as a going concern. The Company has 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 over a period of at least twelve months from the date of approval of the Financial Statements. For this reason, the Directors have considered it appropriate to adopt the going concern basis of accounting.

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

# Directors' report continued

**Post balance sheet events**

Details of events that have occurred since 31 December 2019 are shown in note 19.

**Principal risks and uncertainties**

A summary of the principal risks faced by the Company is set out on pages 16 and 17 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 amended from time to time) 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' (80 per cent. after 1 January 2020);

(3) At least 70 per cent. by HMRC value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares'. Investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement;

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

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

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

(7) An investment in any company must not cause that company to receive more than £5 million in State aid risk finance in the 12 months up to the date of the investment, nor more than £12 million in total (the limits are £10 million and £20 million respectively for a "knowledge intensive" company);

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

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

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

These tests drive a spread of investment risk through preventing holdings of more than 15 per cent. by HMRC value in any portfolio company. The tests have been carried out and independently reviewed for the year ended 31 December 2019. The Company has complied with all tests and continues to do so.

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

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

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

As at 31 December 2019, the HMRC value of qualifying investments (which includes a 12 month disregard for disposals since 6 April 2019) was 86.81 per cent. (2018: 75.04 per cent.). The Board continues to monitor this and all the VCT qualification requirements very carefully in order to ensure that all requirements are met and that qualifying investments comfortably exceed the current minimum threshold, which from 1 January 2020 is 80 per cent. (previously 70 per cent.) required for the Company to continue to benefit from VCT tax status. The Board and Manager are confident that the qualifying requirements can be met during the course of the year ahead.

**Environment**

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

**Global greenhouse gas emissions**

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

**Anti-bribery policy**

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

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

**Anti-facilitation of tax evasion policy**

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

**Diversity**

The Board has a balanced representation of male and female Directors, with the current Board of Directors comprising two female and three male Directors. More details on the Directors can be found in the Board of Directors section on page 19.

**Employees**

The Company is managed by Albion Capital Group LLP and hence has no employees other than its non-executive Directors.

**Directors**

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

All Directors, except for Patrick Reeve, who is the chairman of the Manager, are members of the Audit Committee, of which Robin Archibald is Chairman.

Patrick Reeve, as chairman of Albion Capital Group LLP, is deemed to have an interest in the Management agreement and Management performance incentive to which the Company is party. After the merger with Albion Income & Growth VCT PLC on 15 November 2013, Patrick Reeve agreed to waive his fees for his services as a Director of the Company.

**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 themselves in relation to the performance of their duties as a Director of the Company. A copy of each Deed of Indemnity entered into by the Company for each Director is available at the registered office of the Company.

**Re-election of Directors**

The AIC Code recommends that all Directors submit themselves for re-election annually, therefore in accordance with the AIC Code, Dr. Neil Cross, Robin Archibald, Mary Anne Cordeiro, Modwenna Rees-Mogg and Patrick Reeve will offer themselves for re-election.

**Approval of the Directors' Remuneration Policy**

Shareholder approval of the Directors' Remuneration Policy is required every three years. The Remuneration Policy was last approved by shareholders at the 2017 AGM and is therefore being submitted for shareholder approval at the forthcoming AGM. There are no proposed changes to the Remuneration Policy. The Policy is set out on page 41.

**Advising Ordinary Retail Investors**

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

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

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

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

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

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

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

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

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

*Remuneration (unaudited)*

The Manager has a remuneration policy which meets the requirements of the AIFMD Remuneration Code and associated Financial Conduct Authority guidance. The remuneration policy together with the remuneration disclosures for the AIFM's reporting period for the year ended 31 March 2019 are available on the Company's webpage on the Manager's website.

**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. A resolution to re-appoint BDO LLP will be put to the Annual General Meeting.

There have been significant changes in the market for the provision of audit services, particularly for listed companies. As a result, there have been increases in the levels of audit fees being charged to listed companies and further pressure on fees is likely in future years. The Board continues to believe that the Company's auditor provides a good and competitively priced service for the audit of the Company.

**Annual General Meeting**

The Annual General Meeting will be held at the offices of Albion Capital Group LLP, 1 Benjamin Street, London EC1M 5QL at noon on 3 June 2020. 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. Summary of proxies lodged at the Annual General Meeting will be published at www.albion.capital/funds/AATG under the "Financial Reports and Circulars section".

The ordinary business resolutions 1 to 10 includes receiving and adopting the Company's accounts, to approve the Directors' remuneration policy and report, to re-elect all Directors and to appoint BDO as auditor for the next year end and to fix their remuneration.

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

**Authority to allot shares**

Ordinary resolution number 11 will request the authority to allot up to an aggregate nominal amount of £259,249 representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this Report.

The Directors current intention is to allot shares under the Dividend Reinvestment Scheme, any Albion VCTs Share Offers and reissuing treasury shares where it is in the Company's interest to do so. The Company currently holds 18,196,470 treasury shares representing 14.0 per cent. of the total Ordinary share capital in issue as at 31 December 2019.

These resolutions replace the authorities given to the Directors at the Annual General Meeting in 2019. The authorities sought at the forthcoming Annual General Meeting will expire 15 months from the date that the resolution is passed, or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

**Disapplication of pre-emptive rights**

Special resolution number 12 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £259,249 of the nominal value of the share capital representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this report.

**Purchase of own shares**

Special resolution number 13 will request the authority to purchase a maximum of 19,430,703 shares representing 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution 13. Shares bought back under this authority may be cancelled.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so. Details of share buy-backs during the year can be found in note 15.

**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.

**Disclosure of information to Auditor**

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

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

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

By Order of the Board

**Albion Capital Group LLP**
Company Secretary

1 Benjamin Street
London, EC1M 5QL
20 March 2020

# Statement of Directors' responsibilities

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

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

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

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

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

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

**Website publication**

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's webpage on the Manager's website (www.albion.capital/funds/AATG) 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 Company's webpage is maintained on the Board's behalf by the Manager.

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

The Directors confirm to the best of their knowledge:

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

For and on behalf of the Board

**Dr N E Cross**
Chairman
20 March 2020

# Statement of corporate governance

**Background**

The Financial Conduct Authority requires all companies listed on a regulated market to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council ("FRC") in 2018.

The Board of Albion Technology & General VCT PLC has considered the Principles and Provisions of the AIC Code of Corporate Governance ("AIC Code"). The AIC Code addresses the Principles and Provisions set out in the Code, as well as setting out additional Provisions on issues that are of specific relevance to Albion Technology & General VCT PLC and other investment companies. Closed-ended investment companies have particular factors which have an impact on their governance arrangements, principally from four features: outsourcing their day to day activities to external service providers and being governed by boards of non-executive directors; the importance of the Manager in the outsourcing compared to a typical supplier; having no executive directors or employees and consequently no executive remuneration packages; and no customers in the traditional sense, only shareholders.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders. The Company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the Code to make them relevant for investment companies.

**Board of Directors**

The Board consists solely of non-executive Directors. Dr. Neil Cross is the Chairman and Robin Archibald is the Senior Independent Director and Chairman of the Audit Committee. All Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager.

Dr. Neil Cross, Robin Archibald, Mary Anne Cordeiro and Modwenna Rees-Mogg are considered independent Directors. Patrick Reeve is not considered an independent Director as he is the chairman of Albion Capital Group LLP, the Manager.

The Board does not have a policy of limiting the tenure of any Director, including the Chairman, as the Board does not consider that a Director's length of service reduces his or her ability to act independently of the Manager. As such, Dr. Neil Cross, who has been Director of the Company for more than nine years, is considered to be an independent Director and the Board continues to benefit from his experience of the Company since its inception in 2000.

Robin Archibald as Chairman of the Audit Committee was paid an additional payment of £3,000 during the year in recognition of the significant amount of additional work he undertook in relation to the Albion VCTs Prospectus Top Up Offers 2018/19 and other corporate work on behalf of the Board, particularly in a year of exceptional regulatory change. This payment, which was proposed and approved by Board members other than Mr Archibald, is considered to be a special payment for work carried out in addition to his duties as Audit Chairman, and does not affect Robin Archibald's independence.

The AIC Code requires that all Directors submit themselves for re-election annually, therefore in accordance with the AIC Code, Dr. Neil Cross, Robin Archibald, Mary Anne Cordeiro, Modwenna Rees-Mogg and Patrick Reeve will offer themselves for re-election.

The Directors have a range of business and financial skills, including serving on the boards of other investment companies, which are relevant to the Company; these are described in the Board of Directors section on page 19. All of the Directors have demonstrated that they have sufficient time, skill and experience to acquit their Board responsibilities and to work together effectively. 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. 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 gender, experience and balance of skills. Further details on succession planning for existing members of the Board and the recruitment of new Directors can be found in the Nomination Committee section on page 39.

The Board met four times during 2019 as part of its regular programme of quarterly Board meetings. All Directors attended each meeting. A sub-committee of the Board comprising at least two Directors met during the year to allot shares issued under the Dividend Reinvestment Scheme and the Albion VCTs Top Up Offers. During the year, a sub-committee of the Board also met to approve the terms and contents of the Offer Documents under the Albion VCTs Prospectus Top Up Offers 2018/19. Various Board members also engaged with the Manager and other service providers to the Company during the course of the year in furtherance of their duties, as well as regular contact between individual members of the Board. Representatives of the Manager attend all Board meetings and participate in Board discussions, other than on matters where there might be a perceived conflict of interest between the Manager and the Company.

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, all of which are subject to Board oversight. The main issues reserved for the Board include:

- the appointment, evaluation, removal and remuneration of the Manager;
- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy and corporate events that arise including periodic Top Up Offers;
- application of the principles of the AIC Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of the Auditor;
- approval of the dividend policy and payments of appropriate dividends to shareholders;
- the performance of the Company, including monitoring of the discount of share price to the net asset value;
- share buy-back and treasury share policies; 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, and which provides the information necessary for shareholders to assess the position, performance, strategy and business model of the Company.

**Committees' and Directors' performance evaluation**

Performance of the Board and the Directors is assessed on the following 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 consistently 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 backgrounds, skills and gender.

Directors are offered training, both at the time of joining the Board and on other occasions where required. The Directors attend external courses and industry events which provides further experience to help them fulfil their responsibilities. The Board also undertakes a proper and thorough evaluation of its Committees on an annual basis.

In light of the performance of the individual directors and the structured performance evaluation, Dr. Neil Cross, Robin Archibald, Mary Anne Cordeiro, Modwenna Rees-Mogg and Patrick Reeve are considered to be effective Directors who demonstrate strong commitment to the role. The Board believes it to be in the best interest of the Company to re-appoint these Directors at the forthcoming Annual General Meeting and has nominated them for re-election accordingly. For more details on the specific backgrounds, skills and experience of each Director, please see the Board of Directors section on page 19.

**Remuneration Committee**

The Remuneration Committee consists of all Directors except Patrick Reeve, with Modwenna Rees-Mogg as Chairman. The Committee held one formal meeting during the year, which was attended by all the members of the Committee.

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

**Audit Committee**

The Audit Committee consists of all Directors except Patrick Reeve, with Robin Archibald as Chairman. In accordance with the AIC Code, members of the Audit Committee have recent and relevant financial experience as well as experience relevant to the sector. Given the size of the Board and the complexity of the business, Dr. Neil Cross is both Chairman of the Board and a member of the Audit Committee as his background, skills and experience are relevant for the Committee's responsibilities. The Committee met twice during the year ended 31 December 2019; all members attended.

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

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

- formally reviewing the Annual Report and Financial Statements, the Half-yearly Financial Report, the Interim Management Statements which the Company will continue to publish and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the external Auditor and reviewing their findings;
- meeting with the Manager's internal 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 and viability statements. 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 to back up the discussions. Taking into account risk factors that impact on the Company both as reflected in the annual accounts and in a detailed risk matrix, both of which are reviewed periodically in detail, including in the context of emerging risks;
- advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- reporting to the Board on how it has discharged its responsibilities.

The Board, and particularly the Audit Committee, monitors closely developments in the provision of audit services and is aware that the costs of rendering audit services from most audit firms are increasing significantly, with more pressure on those firms who provide services to listed companies and for those companies operating in a regulated environment. The Board is satisfied from discussions with the current audit firm and from scrutiny of what is happening elsewhere, that BDO continues to provide the Company with an independent and expert review of its financial reporting from an audit firm with significant experience in the sector and on a competitive fee base for the work required in reporting on an extensive portfolio of unquoted investments. It is however anticipated that audit fees will increase in succeeding years, with the fee indicated for 2021 being £34,000, an increase of 10% over the audit fee for this year.

The Committee also examines going concern and viability statements, using financial projections provided by the Manager on the Company and by examining the liquidity in the Company's portfolio, including cash and realisable investments, the committed costs of the Company and where liquidity might be found if required. The Audit Committee also receives regular reports on compliance with VCT status, which is subject to various internal controls and external review when investment commitments are made.

**Financial Statements**

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

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

*The valuation of the Company's investments*

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

*Revenue recognition*

The revenue generated from loan stock interest and dividend income has been considered by the Audit Committee as part of its review of the Financial Statements 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 rigorous reviews of the Annual Report and Financial Statements and consideration of the key areas of risk identified, the Audit Committee and Board 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 position, performance, business model and strategy.

**Relationship with the External Auditor**

The Audit Committee reviews the performance and continued suitability of the Company's external Auditor on an annual basis. They assess the external Auditor's independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external Auditor that they are independent. No non-audit services were provided during the financial year ended 31 December 2019.

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 2019, and assessments made by individual Directors using their experiences elsewhere as required.

In 2017, the Audit Committee undertook a tendering exercise for the provision of audit services. As a result of this process, BDO LLP was retained as Auditor. BDO LLP first acted as Auditor for the year ended 31 December 2008 and this will be year 12 of their tenure. 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 Audit Committee also has an annual meeting with the external Auditor, without the Manager present, at which pertinent questions are asked to help the Audit Committee determine if the Auditor's skills and approach to the annual audit and issues that arise during the course of the audit match all the relevant and appropriate criteria for the audit to have been an effective and objective review of the Company's year-end reporting.

Based on the assurance obtained, the Audit 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 for Patrick Reeve, with Dr. Neil Cross as Chairman.

The Nomination Committee reviews both the membership of the Board for the spread of skills, and individual board member's contributions in nominating individual board members for re-election at the Annual General Meeting, and looks at succession planning, with a view to make recommendations to the Board on changes to its composition. 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 the maintenance of gender and other diversity within the Board. The Board is also mindful of the importance of creating good working relationships within the Board and with external agents.

The Nomination Committee held one formal meeting during the year, which was fully attended by all the members of the Committee and there were various Board conversations on the subject during the year, including on succession planning.

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

**Internal control**

In accordance with the AIC Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the FRC guidance "Risk Management, Internal Control and Related Financial and Business Reporting". The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, 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 are:

- segregation of duties between the preparation of valuations and recording in accounting records;
- independent third party valuations of the majority of the asset-based investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the valuation committee and reviews of financial reports are carried out by the operations partner of Albion Capital Group LLP;
- bank reconciliations are carried out monthly, and stock reconciliations are carried out six-monthly, by the Manager in accordance with the FCA requirements;
- all financial reports are reviewed by Albion Capital Group LLP compliance department before publishing;
- 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 Capital Group LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, it has access to PKF Littlejohn LLP, which, as internal auditor for Albion Capital Group LLP undertakes periodic examination of the business processes and controls environment at Albion Capital Group LLP, and ensures that any recommendations to implement improvements in controls are carried out. During the year, the Audit Committee and the Board reviewed internal audit reports prepared by PKF Littlejohn LLP.

In addition to this, Ocorian (UK) Limited, the Company's external Depositary from 1 October 2018, provides cash monitoring, asset verification, and oversight services to the Company and reports to the Board on a quarterly basis.

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

**Capital structure and Articles of Association**

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on pages 30, 33 and 34 of the Directors' report. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

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

**Relationships with shareholders and other stakeholders**

The Company's Annual General Meeting on 3 June 2020 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 typically includes a presentation from the Manager on the portfolio and on the Company, and a presentation from a portfolio company, however please see the Chairman's statement on page 8 for further information relating to special circumstances for this year's Annual General Meeting.

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

The Company's share buy-back programme operates in the market through brokers. In order to sell shares, as they are quoted on the London Stock Exchange, investors should approach a broker to undertake the sale. Banks may be able to assist shareholders with a referral to a broker within their banking group. More information on share buybacks can be found in the Chairman's statement on page 8.

**Statement of compliance**

The Directors consider that the Company has complied throughout the year ended 31 December 2019 with all the relevant provisions set out in the AIC Code issued in 2019. By reporting against the AIC Code, the Board are meeting their obligations in relation to the 2018 UK Corporate Governance Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules). The Directors also consider that they are complying with their statutory responsibilities and other regulatory provisions which have a bearing on the Company.

For and on behalf of the Board

**Dr. N E Cross**
Chairman
20 March 2020

# 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 3 June 2020 for the approval of the Directors' Remuneration Policy, a three yearly requirement, and the Annual Remuneration Report as set out below.

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

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

The Remuneration Committee comprises all Directors, excluding Patrick Reeve, with Modwenna Rees-Mogg as Chairman.

The Remuneration Committee met once during the year to review Directors responsibilities and fees against the market and concluded that the current fees, which have not increased since 2016, should be increased to remain both competitive and reflective of the workload and responsibilities required from the Directors. The Committee agreed to raise the fee for the Chairman to £27,500 from £25,000, the Chairman of the Audit Committee to £25,500 from £24,000 and all other Directors to £23,500 from £22,000 save for Patrick Reeve who agreed to waive his fees for his services post-merger and to continue to do so. The change in remuneration took place from 1 July 2019 and is in line with the remuneration policy as detailed below and is displayed in the "Directors pay compared to distribution to shareholders" table on page 43 of this report.

**Directors' remuneration policy**

The Company's remuneration 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.

In accordance with the reporting requirements, an Ordinary resolution for the approval of the Remuneration policy of the Company, to remain in force for a three year period, will be put to the members at the AGM and will be effective from that date. There are no proposed changes to the Remuneration Policy.

The maximum total level of non-executive Directors' remuneration is £150,000 per annum which is fixed by the Company's Articles of Association; amendment to this is by way of an ordinary resolution.

The AIC Code requires that all Directors submit themselves for re-election annually, therefore in accordance with the AIC Code, Dr. Neil Cross, Robin Archibald, Mary Anne Cordeiro, Modwenna Rees-Mogg and Patrick Reeve will offer themselves 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 year. 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, 96.8 per cent. of shareholders voted for the resolution approving the Directors' remuneration report, 3.2 per cent. against the resolution and of the total votes cast, 280,331 (being 0.3 per cent. of total voting rights) were withheld, showing 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.

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 2019 £** | 31 December 2018 £ |
|---|---|---|
| Dr. Neil Cross | **26,250** | 25,000 |
| Robin Archibald* | **27,750** | 24,000 |
| Modwenna Rees-Mogg | **22,750** | 22,000 |
| Mary Anne Cordeiro | **22,750** | 22,000 |
| Patrick Reeve | – | – |
| | **99,500** | 93,000 |

*Robin Archibald as Chairman of the Audit Committee was paid an additional one-off payment of £3,000 during the year in recognition of the significant amount of additional work he undertook in relation to the Albion VCTs Prospectus Top Up Offers 2018/19 and other corporate work on behalf of the Board, particularly in a year of exceptional regulatory change.

Directors' remuneration for the year ending 31 December 2020, excluding any special payments, is expected to be £100,000 (excluding National Insurance contributions).

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. Directors were also reimbursed for authorised expenses totalling £800 during the year.

In addition to Directors' remuneration, the Company paid an annual premium in respect of Directors' & Officers' Liability Insurance of £12,900 (2018: £11,900).

### Directors' interests

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

| | **Shares held on 31 December 2019** | Shares held on 31 December 2018 |
|---|---|---|
| Dr. Neil Cross | **177,790** | 177,790 |
| Robin Archibald | **27,479** | 27,479 |
| Modwenna Rees-Mogg | **3,504** | 3,504 |
| Mary Anne Cordeiro | **5,676** | 5,542 |
| Patrick Reeve | **624,941** | 635,429 |

There have been no changes in the holdings of the Directors between 31 December 2019 and the date of this Report.

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

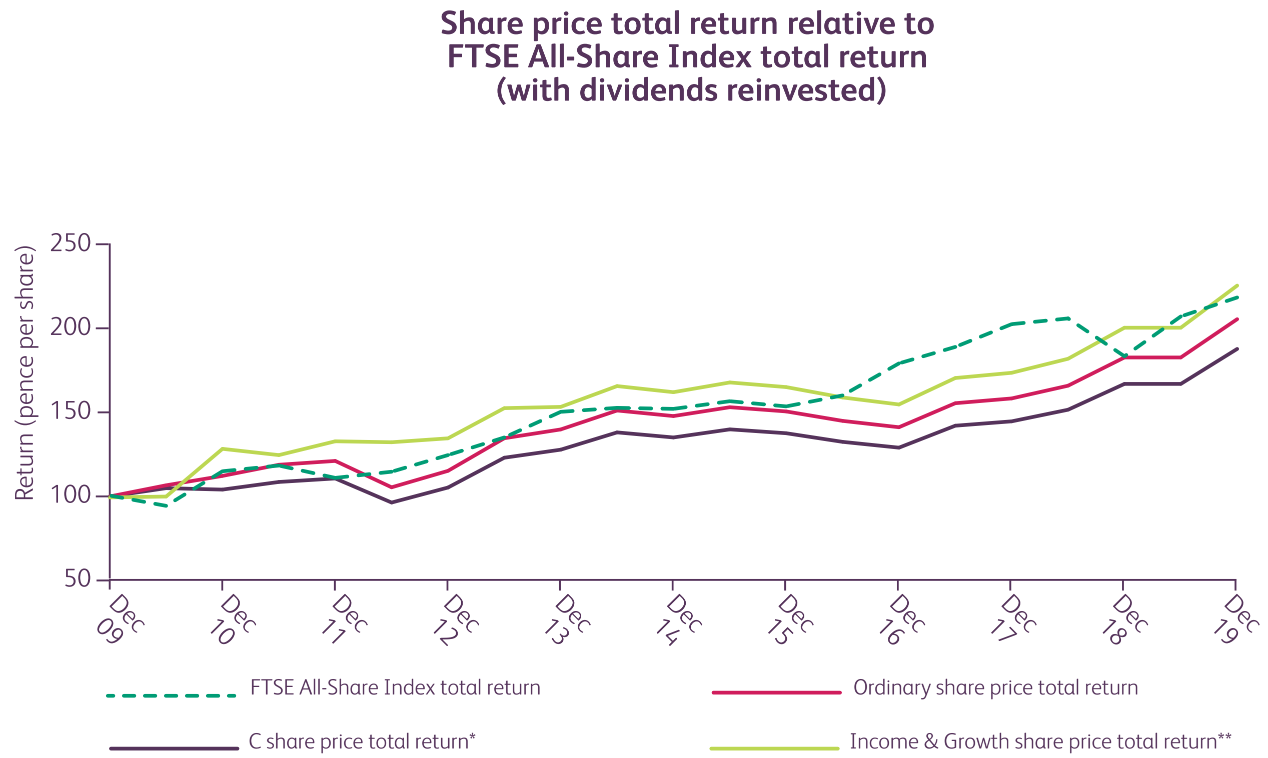
The following items have not been audited.

Albion Capital Group LLP, its partners and staff (including Patrick Reeve) hold 1,245,570 shares in the Company.

### Performance graph

The graph that follows shows the Company's Ordinary share, C share and Income & Growth share price total return against the FTSE All-Share Index total return, in both instances with dividends reinvested, since 1 January 2010. The Directors consider the FTSE All-Share Index to be the most appropriate indicative benchmark for the Company as it contains a large range of sectors within the UK economy similar to a generalist VCT. Investors should, however, be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

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




Source: Albion Capital Group LLP

Methodology: The share price return to the shareholder, including original amount invested (rebased to 100) from 1 January 2010, assuming that dividends were re-invested at the share price of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

*The C shares converted to Ordinary shares on 31 March 2011 on the basis of their respective net asset values, with each C shareholder receiving 0.7779 Ordinary shares for each C share they owned.

**Albion Income & Growth VCT PLC was merged with the Company on 15 November 2013 on the basis of their respective net asset values, with each Income & Growth shareholder receiving 0.7813 Ordinary shares in the Company for each Income & Growth share they owned.

**Directors' pay compared to distributions to Shareholders**

| | **2019 £'000** | 2018 £'000 | **Percentage change** |
|---|---|---|---|
| Total dividend distribution to shareholders | **4,460** | 4,136 | **7.8%** |
| Share buybacks | **2,016** | 1,570 | **28.4%** |
| Total Directors fees | **100** | 93 | **7.5%** |

In the last five years, the Company's net assets have increased by £30.2 million (from £61.8 million to £92.0 million) and the Directors' remuneration has increased by £24,000 for the same period.

For and on behalf of the Board

**Dr. N E Cross**
Director
20 March 2020

# Independent Auditor's report to the Members of Albion Technology & General VCT PLC

**Opinion**

We have audited the financial statements of Albion Technology & General VCT PLC (the "company") for the year ended 31 December 2019 which comprise the income statement, the balance sheet, the statement of changes in equity and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

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

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

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

**Key audit matters**

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

# Independent Auditor's report to the Members of Albion Technology & General VCT PLC continued

<table>
<tr><th>Key Audit Matter</th><th>How We Addressed the Key Audit Matter in the Audit</th></tr>
<tr><td>

**Valuation of investments (Note 2 and 11 to the financial statements)**

There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting both equity and loan stock portions.

The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 5.

As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.

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We tested a sample of 82% of the unquoted investment portfolio by value of investment holdings.

65% of the unquoted portfolio is based on valuations using net assets, cost (where the investment was recently acquired), the price of a recent investment, or an offer to acquire the investee company. For such investments, we checked the cost, net assets or third party offer to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 December 2019.

The remaining 35% of the investment portfolio is valued with reference to more subjective techniques with 28% supported by a valuation performed by experts (19% based on discounted cash flows and 9% using earnings multiples). The remaining 7% of the portfolio is valued using multiples of revenue or earnings, as described in note 11.

Our detailed testing for such investments, performed on all investments within our sample comprised:

- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines
- Re-performed the calculation of the investment valuations
- Challenged the assumptions inherent to valuation of unquoted investments and assessment of impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements
- Where a valuation has been performed by a third party management's expert, we have assessed the competence and capabilities of that expert, the quality of their work and their qualifications, as well as challenging the basis of inputs and assumptions used by the expert. We have also considered any updates for subsequent information to the valuation made by the investment manager and obtained appropriate evidence for those changes
- Where appropriate, we have performed sensitivity analysis on the valuation calculations where there is sufficient evidence to suggest reasonable alternative inputs might exist
- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation
- Verified and benchmarked key inputs and estimates to independent information from our own research and against metrics from the most recent investments

For investments not included in our detailed testing, we performed the following procedures where relevant:

- Considered whether the valuation had been prepared by a suitably qualified individual
- Considered whether a valid IPEV methodology had been adopted
- Considered whether the valuation used up to date trading information
- Performed analytical procedures, by considering any changes to the valuation methodology from last year

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</table>

# Independent Auditor's report to the Members of Albion Technology & General VCT PLC continued

| Key Audit Matter | How We Addressed the Key Audit Matter in the Audit |
|---|---|
| | For a sample of loans held at fair value included above, we:<br>• Vouched security held to documentation<br>• Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept (i.e. the investment as a whole)<br>• Reviewed the treatment of accrued redemption premium/other fixed returns in line with the SORP<br>*Key observations*<br>Based on the procedures performed we concluded that the valuation of the portfolio of investments was not materially misstated. |
| **Revenue recognition**<br>**(Note 2 and 4 to the financial statements)**<br>Revenue consists primarily of interest earned on loans to investee companies, as well as dividends receivable from investee companies.<br>Revenue recognition is considered to be a significant risk, particularly the assessment of the recoverability of loan interest income, and the completeness of dividends, as it is one of the key drivers of dividend returns to investors.<br>Income arises from unquoted investments and can be difficult to predict. It is often a key factor in demonstrating the performance of the portfolio. | We have considered the design and implementation of controls in place over the completeness and validity of receipts based on the portfolio of investments held and also considered any uncertainty around the future receipt of any accrued fixed rate income.<br>We developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.<br>In respect of dividends receivable, we compared actual income to expectations set based on independent published data or management information from the investee company on dividends declared by the portfolio companies held.<br>We have tested the classification of income between revenue and capital by identifying any dividend yields above 5% as this would appear to be unusual for a non capital dividend.<br>We have tested the accuracy of the accounting for redemption premiums by ensuring that the returns have been spread over the life of the instrument.<br>*Key observations*<br>As a result of performing the above procedures, we did not find any material misstatements in respect of revenue recognition. |

**Our application of materiality**

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

| Materiality measure | Purpose | Key considerations and benchmarks | Quantum (£) |
|---|---|---|---|
| Financial statement materiality. (2% of gross investments) | Assessing whether the financial statements as a whole present a true and fair view. | • The value of gross investments<br>• The level of judgement inherent in the valuation<br>• The range of reasonable alternative valuations | £1,149,000<br>(31 December 2018: £1,414,000) |
| Performance materiality.<br>(75% of materiality) | Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions. | • Financial statement materiality<br>• Risk and control environment<br>• History of prior errors (if any) | £862,000<br>(31 December 2018: £1,060,500) |

We have set a lower testing threshold for those items impacting revenue return of £50,000 which is based on 10% of revenue return before tax.

In prior year we set a formal specific materiality threshold for those items impacting revenue return of £118,000 which is based on 10% of revenue income.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £23,000 (2018 - £28,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

**An overview of the scope of our audit**

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

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

*Capability of the audit to detect irregularities, including fraud*

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

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

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

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

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

# Independent Auditor's report to the Members of Albion Technology & General VCT PLC continued

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit Committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

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

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

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

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

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

### Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 December 2008 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 31 December 2019 by the Board. The period of total uninterrupted engagement is 12 years, covering the years ending 31 December 2008 to 31 December 2019.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

### Use of our report

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

**Vanessa-Jayne Bradley** (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
20 March 2020

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

# Income statement

| | Note | Year ended 31 December 2019 Revenue £'000 | Capital £'000 | Total £'000 | Year ended 31 December 2018 Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Gains on investments | 3 | – | 11,170 | 11,170 | – | 10,709 | 10,709 |
| Investment income | 4 | 1,416 | – | 1,416 | 1,184 | – | 1,184 |
| Investment management fee | 5 | (529) | (1,587) | (2,116) | (460) | (1,379) | (1,839) |
| Other expenses | 6 | (306) | – | (306) | (295) | – | (295) |
| **Profit on ordinary activities before tax** | | 581 | 9,583 | 10,164 | 429 | 9,330 | 9,759 |
| Tax (charge)/credit on ordinary activities | 8 | (62) | 62 | – | (59) | 59 | – |
| **Profit and total comprehensive income attributable to shareholders** | | 519 | 9,645 | 10,164 | 370 | 9,389 | 9,759 |
| **Basic and diluted return per share (pence)*** | 10 | 0.47 | 8.81 | 9.28 | 0.40 | 9.10 | 9.50 |

*adjusted for treasury shares

The accompanying notes on pages 54 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.

# Balance sheet

| | Note | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|---|
| **Fixed asset investments** | 11 | **57,468** | 70,737 |
| **Current assets** | | | |
| Current asset investments | 13 | **2,193** | 1,921 |
| Trade and other receivables less than one year | 13 | **527** | 664 |
| Cash and cash equivalents | | **32,468** | 7,142 |
| | | **35,188** | 9,727 |
| **Total assets** | | **92,656** | 80,464 |
| **Payables: amounts falling due within one year** | | | |
| Trade and other payables less than one year | 14 | **(634)** | (567) |
| **Total assets less current liabilities** | | **92,022** | 79,897 |
| **Equity attributable to equity holders** | | | |
| Called up share capital | 15 | **1,296** | 1,187 |
| Share premium | | **34,949** | 26,621 |
| Capital redemption reserve | | **28** | 28 |
| Unrealised capital reserve | | **13,708** | 16,697 |
| Realised capital reserve | | **23,567** | 10,933 |
| Other distributable reserve | | **18,474** | 24,431 |
| **Total equity shareholders' funds** | | **92,022** | 79,897 |
| **Basic and diluted net asset value per share (pence)*** | 16 | **82.58** | 77.40 |

*excluding treasury shares

The accompanying notes on pages 54 to 67 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and were authorised for issue on 20 March 2020 and were signed on its behalf by

**Dr. N E Cross**
Chairman

**Company number: 04114310**

# Statement of changes in equity

| | Called up share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Unrealised capital reserve £'000 | Realised capital reserve* £'000 | Other distributable reserve* £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2019** | **1,187** | **26,621** | **28** | **16,697** | **10,933** | **24,431** | **79,897** |
| Return and total comprehensive income for the year | **–** | **–** | **–** | **1,387** | **8,258** | **519** | **10,164** |
| Transfer of previously unrealised gains on disposal of investments | **–** | **–** | **–** | **(4,376)** | **4,376** | **–** | **–** |
| Purchase of shares for treasury | **–** | **–** | **–** | **–** | **–** | **(2,016)** | **(2,016)** |
| Issue of equity | **109** | **8,547** | **–** | **–** | **–** | **–** | **8,656** |
| Cost of issue of equity | **–** | **(219)** | **–** | **–** | **–** | **–** | **(219)** |
| Dividends paid | **–** | **–** | **–** | **–** | **–** | **(4,460)** | **(4,460)** |
| **As at 31 December 2019** | **1,296** | **34,949** | **28** | **13,708** | **23,567** | **18,474** | **92,022** |
| | | | | | | | |
| **As at 1 January 2018** | 1,143 | 23,469 | 28 | 9,692 | 8,549 | 29,767 | 72,648 |
| Return and total comprehensive income for the year | – | – | – | 8,910 | 479 | 370 | 9,759 |
| Transfer of previously unrealised gains on disposal of investments | – | – | – | (1,905) | 1,905 | – | – |
| Purchase of shares for treasury | – | – | – | – | – | (1,570) | (1,570) |
| Issue of equity | 44 | 3,233 | – | – | – | – | 3,277 |
| Cost of issue of equity | – | (81) | – | – | – | – | (81) |
| Dividends paid | – | – | – | – | – | (4,136) | (4,136) |
| **As at 31 December 2018** | 1,187 | 26,621 | 28 | 16,697 | 10,933 | 24,431 | 79,897 |

*These reserves amount to £42,041,000 (2018: £35,364,000) which is considered distributable.

# Statement of cash flows

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Loan stock income received | **1,360** | 1,098 |
| Dividend income received | **183** | 119 |
| Deposit interest received | **56** | 25 |
| Investment management fee paid | **(2,079)** | (1,803) |
| Other cash payments | **(291)** | (293) |
| Corporation tax paid | **–** | – |
| **Net cash flow from operating activities** | **(771)** | (854) |
| | | |
| **Cash flow from investing activities** | | |
| Purchase of current asset investments | **–** | (910) |
| Purchase of fixed asset investments | **(7,022)** | (4,354) |
| Disposal of fixed asset investments | **31,142** | 5,621 |
| **Net cash flow from investing activities** | **24,120** | 357 |
| | | |
| **Cash flow from financing activities** | | |
| Issue of ordinary share capital | **7,804** | 2,606 |
| Cost of issue of equity | **(17)** | (15) |
| Dividends paid | **(3,794)** | (3,536) |
| Purchase of own shares (including costs) | **(2,016)** | (1,570) |
| **Net cash flow from financing activities** | **1,977** | (2,515) |
| | | |
| **Increase/(decrease) in cash and cash equivalents** | **25,326** | (3,012) |
| Cash and cash equivalents at start of period | **7,142** | 10,154 |
| **Cash and cash equivalents at end of period** | **32,468** | 7,142 |

# Notes to the Financial Statements

**1. Basis of preparation**

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

The preparation of the Financial Statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The most critical estimates and judgements relate to the determination of carrying value of investments at fair value through profit and loss ("FVTPL"). The Company values investments by following the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines as issued in 2018 and further detail on the valuation techniques used are outlined in note 2 below.

Company information can be found on page 2.

**2. Accounting policies**

**Fixed and current asset investments**

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

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

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

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

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

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

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

**Current assets and payables**

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

# Notes to the Financial Statements continued

**Investment income**

*Equity income*

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

*Unquoted loan stock and other preferred income*

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

*Bank interest income*

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

**Investment management fees, performance incentive fees and expenses**

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

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

**Taxation**

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

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

**Reserves**

*Share premium*

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

*Capital redemption reserve*

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

*Unrealised capital reserve*

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

*Realised capital reserve*

The following are disclosed in this reserve:

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

*Other distributable reserve*

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

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

**Dividends**

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

**Segmental reporting**

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

## 3. Gains on investments

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|---|---|---|
| Unrealised gains on fixed asset investments | 1,115 | 9,271 |
| Unrealised gains/(losses) on current asset investments | 272 | (361) |
| Realised gains on fixed asset investments | 9,783 | 1,799 |
| | 11,170 | 10,709 |

## 4. Investment income

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|---|---|---|
| Loan stock interest and other fixed returns | 1,105 | 1,039 |
| UK dividend income | 253 | 119 |
| Bank deposit interest | 58 | 26 |
| | 1,416 | 1,184 |

## 5. Investment management fees

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 |
|---|---|---|
| Investment management fee charged to revenue | 529 | 460 |
| Investment management fee charged to capital | 1,587 | 1,379 |
| | 2,116 | 1,839 |

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

During the year, services of a total value of £2,116,000 (2018: £1,839,000) were purchased by the Company from Albion Capital Group LLP in respect of management fees. At the financial year end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals was £518,000 (2018: £482,000). The total annual running costs of the Company are capped at an amount equal to 2.75 per cent. of the Company's net assets, with any excess being met by Albion by way of a reduction in management fees. During the year, the management fee was reduced by £136,000 as a result of this cap (2018: £136,000).

During the year, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (2018: nil).

Albion Capital Group LLP, its partners and staff (including Patrick Reeve) hold 1,245,570 Ordinary shares in the Company.

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the year ended 31 December 2019, fees of £241,000 attributable to the investments of the Company were received by Albion Capital Group LLP pursuant to these arrangements (2018: £214,000).

During the period, no further amounts (2018: £910,000) were invested into the SVS Albion OLIM UK Equity Income Fund ("OUEIF") as part of the Company's management of surplus liquid funds. To avoid double charging, Albion agreed to reduce its management fee relating to the investment in the OUEIF by 0.75 per cent. per annum, which represents the OUEIF management fee charged by OLIM. This resulted in a further reduction of the management fee of £16,000 (2018: £15,000).

# Notes to the Financial Statements continued

## 6. Other expenses

| | **Year ended 31 December 2019 £'000** | Year ended 31 December 2018 £'000 |
|---|---|---|
| Directors' fees (including NIC) | **108** | 101 |
| Auditor's remuneration for statutory audit services (excluding VAT) | **31** | 28 |
| Tax services | **23** | 21 |
| Other administrative expenses | **144** | 145 |
| | **306** | 295 |

## 7. Directors' fees

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

| | **Year ended 31 December 2019 £'000** | Year ended 31 December 2018 £'000 |
|---|---|---|
| Directors' fees | **100** | 93 |
| National insurance | **8** | 8 |
| | **108** | 101 |

The Company's key management personnel are the non-executive Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 41 to 43.

## 8. Tax on ordinary activities

| | **Year ended 31 December 2019 £'000** | Year ended 31 December 2018 £'000 |
|---|---|---|
| UK corporation tax charge payable | **–** | – |

### Factors affecting the tax charge:

| | **Year ended 31 December 2019 £'000** | Year ended 31 December 2018 £'000 |
|---|---|---|
| Return on ordinary activities before taxation | **10,164** | 9,759 |
| Tax charge on profit at the average companies rate of 19% (2018: 19%) | **1,931** | 1,854 |
| **Factors affecting the charge:** | | |
| Non-taxable gains | **(2,122)** | (2,035) |
| Income not taxable | **(48)** | (23) |
| Excess management expenses carried forward | **239** | 204 |
| | **–** | – |

## 8. Tax on ordinary activities (continued)

The tax charge for the year shown in the Income statement is lower than the average companies rate of corporation tax in the UK of 19 per cent. (2018: 19 per cent.). The differences are explained above.

Notes

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

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

(iii) The Company has excess management expenses of £3,606,000 (2018: £2,348,000) that are available for offset against future profits. A deferred tax asset of £613,000 (2018: £446,000) has not been recognised in respect of these losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

## 9. Dividends

| | **Year ended 31 December 2019 £'000** | Year ended 31 December 2018 £'000 |
|---|---|---|
| Dividend of 2.00p per share paid on 29 June 2018 | **–** | 2,081 |
| Dividend of 2.00p per share paid on 31 December 2018 | **–** | 2,055 |
| Dividend of 2.00p per share paid on 28 June 2019 | **2,237** | – |
| Dividend of 2.00p per share paid on 31 December 2019 | **2,223** | – |
| | **4,460** | 4,136 |

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 December 2020 of 2 pence per share. The dividend will be paid on 30 June 2020 to shareholders on the register on 5 June 2020. The total dividend will be approximately £2,229,000. All dividends are paid out of the other distributable reserve as shown in the Balance sheet.

## 10. Basic and diluted return per share

| | **Year ended 31 December 2019** | | | Year ended 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
| Profit attributable to equity shares (£'000) | **519** | **9,645** | **10,164** | 370 | 9,389 | 9,759 |
| Weighted average shares in issue (adjusted for treasury shares) | | **109,562,226** | | | 103,202,241 | |
| Return attributable per equity share (pence) | **0.47** | **8.81** | **9.28** | 0.40 | 9.10 | 9.50 |

The weighted average number of shares is calculated adjusted for treasury shares of 18,196,470 (2018: 15,518,470).

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

## 11. Fixed asset investments

| Investments held at fair value through profit or loss | **31 December 2019 £'000** | 31 December 2018 £'000 |
|---|---|---|
| Unquoted equity and preference shares | **40,332** | 43,611 |
| Quoted equity | **135** | 799 |
| Unquoted loan stock | **17,001** | 26,327 |
| | **57,468** | 70,737 |

| | **31 December 2019 £'000** | 31 December 2018 £'000 |
|---|---|---|
| **Opening valuation** | **70,737** | 60,724 |
| Purchases at cost | **8,043** | 5,211 |
| Disposal proceeds | **(31,956)** | (6,206) |
| Realised gains | **9,783** | 1,799 |
| Movement in loan stock accrued income | **(255)** | (62) |
| Unrealised gains | **1,115** | 9,271 |
| **Closing valuation** | **57,468** | 70,737 |
| **Movement in loan stock accrued income** | | |
| Opening accumulated loan stock accrued income | **343** | 405 |
| Movement in loan stock accrued income | **(255)** | (62) |
| **Closing accumulated loan stock accrued income** | **88** | 343 |
| **Movement in unrealised gains** | | |
| Opening accumulated unrealised gains | **16,988** | 9,622 |
| Transfer of previously unrealised gains to realised reserve on disposal of investments | **(4,376)** | (1,905) |
| Movement in unrealised gains | **1,115** | 9,271 |
| **Closing accumulated unrealised gains** | **13,727** | 16,988 |
| **Historic cost basis** | | |
| Opening book cost | **53,406** | 50,697 |
| Purchases at cost | **8,043** | 5,211 |
| Sales at cost | **(17,796)** | (2,502) |
| **Closing book cost** | **43,653** | 53,406 |

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

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

### 11. Fixed asset investments (continued)

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

| Valuation methodology | **31 December 2019 £'000** | 31 December 2018 £'000 |
|---|---|---|
| Cost and price of recent investment (reviewed for impairment or uplift) | **32,087** | 24,948 |
| Third party valuation – discounted cash flow | **11,113** | 10,654 |
| Net assets | **5,487** | 5,487 |
| Third party valuation – earnings multiple | **4,729** | 16,707 |
| Revenue multiple | **1,845** | 7,543 |
| Earnings multiple | **2,072** | 2,117 |
| Contracted sale price | **–** | 2,482 |
| | **57,333** | 69,938 |

When using the cost or price of a recent investment in the valuations the Company looks to 're-calibrate' this price at each valuation point by reviewing progress within the investment, comparing against the initial investment thesis, assessing if there are any significant events or milestones that would indicate the value of the investment has changed and considering whether a market-based methodology (ie. using multiples from comparable public companies) or a discounted cashflow forecast would be more appropriate.

The main inputs into the calibration exercise, and for the valuation models using multiples, are revenue, EBITDA and P/E multiples (based on the most recent revenue, EBITDA or earnings achieved and equivalent corresponding revenue, EBITDA or earnings multiples of comparable companies), quality of earnings assessments and comparability difference adjustments. Revenue multiples are often used, rather than EBITDA or earnings, due to the nature of the Company's investments, being in growth and technology companies which are not normally expected to achieve profitability or scale for a number of years. Where an investment has achieved scale and profitability the Company would normally then expect to switch to using an EBITDA or earnings multiple methodology.

In the calibration exercise and in determining the valuation for the Company's equity instruments, comparable trading multiples are used. In accordance with the Company's policy, appropriate comparable companies based on industry, size, developmental stage, revenue generation and strategy are determined and a trading multiple for each comparable company identified is then calculated. The multiple is calculated by dividing the enterprise value of the comparable group by its revenue, EBITDA or earnings. The trading multiple is then adjusted for considerations such as illiquidity, marketability and other differences, advantages and disadvantages between the portfolio company and the comparable public companies based on company specific facts and circumstances.

Fair value investments had the following movements between valuation methodologies between 31 December 2018 and 31 December 2019:

| Change in valuation methodology (2018 to 2019) | 31 December 2019 £'000 | Explanatory note |
|---|---|---|
| Revenue multiple to price of recent investment | **256** | Recent external funding round |
| Price of recent investment to revenue multiple | **49** | More appropriate valuation methodology |

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEV Guidelines. The Directors believe that, within these parameters, there are no other more relevant methods of valuation which would be reasonable as at 31 December 2019.

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

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

### 11. Fixed asset investments (continued)

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

Investments held at fair value through profit or loss (Level 3) had the following movements:

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Opening balance | **69,938** | 59,618 |
| Purchases at cost | **8,043** | 5,211 |
| Disposals proceeds | **(31,917)** | (6,206) |
| Movement in loan stock accrued income | **(255)** | (62) |
| Realised gains | **10,409** | 1,799 |
| Unrealised gains | **1,115** | 9,578 |
| **Closing balance** | **57,333** | 69,938 |

FRS 102 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. 80 per cent. of the portfolio of investments is based on cost, recent investment price, net assets or is loan stock, and as such the Board considers that the assumptions used for their valuations are the most reasonable. The Directors believe that changes to reasonable possible alternative assumptions (by adjusting the revenue and earnings multiples) for the valuations of the remainder of the portfolio companies could result in an increase in the valuation of investments by £470,000 or a decrease in the valuation of investments by £463,000. For valuations based on earnings and revenue multiples, the Board considers that the most significant input is the price/earnings ratio; for valuations based on third party valuations, the Board considers that the most significant inputs are price/earnings ratio, discount factors and market values for buildings; which have been adjusted to drive the above sensitivities.

### 12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments. Although the Company, through the Manager, will, in some cases, be represented on the Board of the portfolio company, it will not take a controlling interest or become involved in the management. The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The investments listed below are held as part of an investment portfolio and therefore, as permitted by FRS 102 section 14.4B, they are measured at FVTPL and not accounted for using the equity method.

The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the portfolio companies as at 31 December 2019 as described below:

| Company | Registered postcode | Profit/(loss) before tax £'000 | Net assets/ (liabilities) £'000 | Result for year ended | % class and share type | % total voting rights |
|---|---|---|---|---|---|---|
| Albion Investment Properties Limited | EC1M 5QL, UK | n/a* | (736) | 31 December 2018 | 31.8% A Ordinary | 31.8% |
| MHS 1 Limited | EC1M 5QL, UK | n/a* | (6,044) | 31 August 2018 | 22.5% Ordinary | 22.5% |
| memsstar Limited | EH3 9EP, UK | 378 | 1,939 | 31 December 2018 | 67.3% A Ordinary | 30.1% |
| Premier Leisure (Suffolk) Limited | EC1M 5QL, UK | n/a* | (1,507) | 31 August 2018 | 25.8% Ordinary | 25.8% |
| The Q Garden Company Limited | EC1M 5QL, UK | n/a* | (4,598) | 31 August 2018 | 33.4% A Ordinary | 33.4% |
| TWCL Limited | EC1M 5QL, UK | n/a* | (3,395) | 31 December 2018 | 25.2% Ordinary | 25.2% |

*The company files filleted accounts which does not disclose this information.

## 13. Current assets

| Current asset investments | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| SVS Albion OLIM UK Equity Income Fund | **2,193** | 1,921 |

Current asset investments at 31 December 2019 consist of cash invested in SVS Albion OLIM UK Equity Income Fund and is capable of realisation within 7 days. These fall into the level 1 fair value hierarchy as defined in note 11.

| Trade and other receivables less than one year | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Prepayments and accrued income | **22** | 19 |
| Other receivables | **73** | 5 |
| Deferred consideration | **432** | 640 |
| | **527** | 664 |

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

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

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| Trade payables | **15** | 6 |
| Accruals and deferred income | **619** | 561 |
| | **634** | 567 |

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

## 15. Called up share capital

| Allotted, called up and fully paid | £'000 |
|---|---|
| 118,711,589 Ordinary shares of 1 penny each at 31 December 2018 | 1,187 |
| 10,912,848 Ordinary shares of 1 penny each issued during the year | 109 |
| **129,624,437 Ordinary shares of 1 penny each at 31 December 2019** | **1,296** |
| 15,518,470 Ordinary shares of 1 penny each held in treasury at 31 December 2018 | (155) |
| 2,678,000 Ordinary shares purchased during the year to be held in treasury | (27) |
| **18,196,470 Ordinary shares of 1 penny each held in treasury at 31 December 2019** | **(182)** |
| **111,427,967 Ordinary shares of 1 penny each in circulation* at 31 December 2019** | **1,114** |

*Carrying one vote each

The Company purchased 2,678,000 Ordinary shares (2018: 2,250,400) to be held in treasury at a cost of £2,016,000 including stamp duty (2018: £1,570,000) during the period to 31 December 2019. Total share buy backs in 2019 represents 2.1 per cent. (2018: 1.9 per cent.) of called-up share capital.

The Company holds a total of 18,196,470 shares (2018: 15,518,470) in treasury representing 14.0 per cent. (2018: 13.1 per cent.) of the issued Ordinary share capital at 31 December 2019.

### 15. Called up share capital (continued)

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

| Date of allotment | Number of shares allotted | Aggregate nominal value of shares (£'000) | Issue price (pence per share) | Net invested (£'000) | Opening market price on allotment date (pence per share) |
|---|---|---|---|---|---|
| 28 June 2019 | 440,639 | 4 | 76.60 | 322 | 72.00 |
| 31 December 2019 | 391,912 | 4 | 83.28 | 311 | 79.00 |
| | **832,551** | **8** | | **633** | |

During the period to 31 December 2019, the Company issued the following new Ordinary shares of nominal value 1 penny each under the Albion VCTs Prospectus Top Up Offers 2018/19:

| Date of allotment | Number of shares allotted | Aggregate nominal value of shares (£'000) | Issue price (pence per share) | Net consideration received (£'000) | Opening market price on allotment date (pence per share) |
|---|---|---|---|---|---|
| 1 April 2019 | 1,188,131 | 12 | 78.60 | 920 | 72.50 |
| 1 April 2019 | 287,073 | 3 | 79.00 | 222 | 72.50 |
| 1 April 2019 | 6,429,303 | 64 | 79.40 | 4,978 | 72.50 |
| 5 April 2019 | 1,795,802 | 18 | 79.40 | 1,390 | 73.50 |
| 12 April 2019 | 101,276 | 1 | 78.60 | 78 | 73.50 |
| 12 April 2019 | 4,049 | – | 79.00 | 3 | 73.50 |
| 12 April 2019 | 274,663 | 3 | 79.40 | 213 | 73.50 |
| | **10,080,297** | **101** | | **7,804** | |

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

| | **31 December 2019 (pence per share)** | 31 December 2018 (pence per share) |
|---|---|---|
| Basic and diluted net asset value per Ordinary share | **82.58** | 77.40 |

The basic and diluted net asset value per share at the year end is calculated in accordance with the Articles of Association and is based upon total shares in issue (less treasury shares) of 111,427,967 at 31 December 2019 (2018: 103,193,119).

### 17. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 8 of the Chairman's statement.

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

The principal financial 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.

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

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 quoted and unquoted investments, details of which are shown on pages 22 to 24. 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 quoted and unquoted investments.

The maximum investment risk as at the Balance sheet date is the value of the fixed and current asset investment portfolio which is £59,661,000 (2018: £72,658,000). Fixed and current asset investments form 65 per cent. of the net asset value as at 31 December 2019 (2018: 91 per cent.).

More details regarding the classification of fixed and current asset investments are shown in notes 11 and 13.

**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. As a venture capital trust, the Company invests in accordance with the investment policy set out on page 3. The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual holdings. The Directors monitor the Manager's compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

Valuations are based on the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEV Guidelines. Details of the industries in which investments have been made are contained in the Portfolio of investments section on pages 22 to 24 and in the Strategic report.

As required under FRS 102 section 34.29, the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed 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. increase or decrease in the valuation of the fixed and current asset investments (keeping all other variables constant) would increase or decrease the net asset value and return for the year by £5,966,000 (2018: £7,266,000).

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

**Interest rate risk**

The Company is exposed to fixed and floating rate interest rate risk on its financial assets. On the basis of the Company's analysis, it was estimated that a rise of 1% in all interest rates would have increased total return before tax for the year by approximately £147,000 (2018: £93,000). Furthermore, it was considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average effective interest rate applied to the Company's unquoted loan stock during the year was approximately 4.6 per cent. (2018: 4.2 per cent.). The weighted average period to maturity for the unquoted loan stock is approximately 3.9 years (2018: 2.7 years).

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

| | **31 December 2019** | | | | 31 December 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **–** | **–** | **40,332** | **40,332** | – | – | 43,611 | 43,611 |
| Quoted equity | **–** | **–** | **135** | **135** | – | – | 799 | 799 |
| Unquoted loan stock | **15,939** | **–** | **1,062** | **17,001** | 25,594 | – | 733 | 26,327 |
| Current asset investments | **–** | **–** | **2,193** | **2,193** | – | – | 1,921 | 1,921 |
| Receivables* | **–** | **–** | **509** | **509** | – | – | 646 | 646 |
| Current liabilities | **–** | **–** | **(634)** | **(634)** | – | – | (567) | (567) |
| Cash | **–** | **32,468** | **–** | **32,468** | – | 7,142 | – | 7,142 |
| **Total** | **15,939** | **32,468** | **43,597** | **92,004** | 25,594 | 7,142 | 47,143 | 79,879 |

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

**Credit risk**

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

The Manager evaluates credit risk on loan stock prior to investment, and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. For loan stock investments made prior to 6 April 2018, which account for 82.3 per cent. of loan stock value, typically loan stock instruments will have a fixed or floating charge, which may or may not be subordinated, over the assets of the portfolio company in order to mitigate the gross credit risk.

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

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

The Company's total gross credit risk as at 31 December 2019 was limited to £17,001,000 (2018: £26,327,000) of unquoted loan stock instruments, £32,468,000 (2018: £7,142,000) cash deposits with banks and £527,000 (2018: £664,000) of other receivables.

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

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

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

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

**Liquidity risk**

Liquid assets are held as cash on current account, on deposit, in bonds 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 £8,979,000 as at 31 December 2019 (2018: £7,783,000).

The Company has no committed borrowing facilities as at 31 December 2019 (2018: £nil). The Company had cash balances of £32,468,000 (2018: £7,142,000) and current asset investments of £2,193,000 (2018: £1,921,000), which are considered to be readily realisable within the timescales required to make cash available for investment. The main cash outflows are for new investments, share buy-backs and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. All the Company's financial liabilities are short term in nature and total £634,000 as at 31 December 2019 (2018: £567,000).

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

| | **31 December 2019** | | | | 31 December 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Redemption date** | **Fully performing £'000** | **Valued below cost £'000** | **Past due £'000** | **Total £'000** | Fully performing £'000 | Valued below cost £'000 | Past due £'000 | Total £'000 |
| Less than one year | **2,438** | **4,427** | **732** | **7,597** | 6,273 | 6,443 | 1,654 | 14,370 |
| 1-2 years | **595** | **76** | **–** | **671** | 2,887 | – | 545 | 3,432 |
| 2-3 years | **1,900** | **26** | **–** | **1,926** | 684 | 76 | 883 | 1,643 |
| 3-5 years | **2,964** | **156** | **–** | **3,120** | 3,046 | 159 | – | 3,205 |
| 5+ years | **3,264** | **–** | **423** | **3,687** | 3,256 | – | 421 | 3,677 |
| **Total** | **11,161** | **4,685** | **1,155** | **17,001** | 16,146 | 6,678 | 3,503 | 26,327 |

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

The cost of loan stock investments valued below cost is £5,409,000 (2018: £7,284,000).

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

**Fair values of financial assets and financial liabilities**

All the Company's financial assets and liabilities as at 31 December 2019 are stated at fair value as determined by the Directors, with the exception of receivables, payables and cash which are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than payables. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

**18. Commitments and contingencies**

The Company had no financial commitments in respect of investments as at 31 December 2019 (2018: nil).

There were no contingent liabilities or guarantees given by the Company as at 31 December 2019 (2018: nil).

**19. Post balance sheet events**

Since 31 December 2019 the Company has had the following post balance sheet event:

- Investment of £1,632,000 in a new portfolio company, Concirrus Limited;

As mentioned in the Chairman's Statement, our underlying portfolio companies may be adversely affected by the Coronavirus Pandemic following the year end. The Manager is continually assessing the exposure for each portfolio company, and appropriate actions, where possible, are being implemented.

**20. Related party transactions**

The Company had entered into an offer agreement relating to the Top Up Offers 2018/19 with the Company's investment manager Albion Capital Group LLP ("Albion"), pursuant to which Albion received a fee of 2.5 per cent. of the gross proceeds of the Offer and out of which Albion paid the costs of the Offer, as detailed in the Prospectus.

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

# Notice of Annual General Meeting

**SHAREHOLDERS, WHILST ENCOURAGED TO VOTE ON THE RESOLUTIONS BEING PROPOSED, SHOULD TAKE NOTE OF PREVAILING HEALTH ADVICE IN CONSIDERING WHETHER TO ATTEND THE AGM (SEE PAGE 8).**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Albion Technology & General VCT PLC (the "Company") will be held at the offices of Albion Capital Group LLP, 1 Benjamin Street, London EC1M 5QL on 3 June 2020 at noon for the following purposes:

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

**Ordinary Business**

**1.** To receive and adopt the Company's accounts for the year ended 31 December 2019 together with the Strategic report and the reports of the Directors and Auditor.

**2.** To approve the Directors' remuneration policy.

**3.** To approve the Directors' remuneration report for the year ended 31 December 2019.

**4.** To re-elect Dr. Neil Cross as a Director of the Company.

**5.** To re-elect Robin Archibald as a Director of the Company.

**6.** To re-elect Mary Anne Cordeiro as a Director of the Company.

**7.** To re-elect Modwenna Rees-Mogg as a Director of the Company.

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

**9.** 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 audited accounts are to be laid.

**10.** To authorise the Directors to agree the Auditor's remuneration.

**Special Business**

**11. Authority to allot shares**

That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company up to an aggregate nominal amount of £259,249 (representing approximately 20 per cent. of the issued share capital as at the date of this Notice) provided that this authority shall expire 15 months from the date that this resolution is passed, or if earlier, at the conclusion of the next Annual General Meeting, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares pursuant to such an offer or agreement as if the authority had not expired.

**12. Authority for the disapplication of pre-emptive rights**

That, subject to the authority and conditional on the passing of resolution number 11, the Directors be empowered, pursuant to section 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 11 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Act did not apply to any such allotment or sale.

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

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

**13. Authority to purchase own shares**

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

(a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 31,054,880 shares or, if lower, such number of Ordinary shares representing 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;

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

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

(d) the authority hereby conferred shall, unless previously revoked, varied or renewed, expire 15 months from the date that this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting; and

(e) the Company may enter into a contract or contracts to purchase shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By Order of the Board

**Albion Capital Group LLP**
Company Secretary
Registered office
1 Benjamin Street
London, EC1M 5QL
20 March 2020
Albion Technology & General VCT PLC is registered in England and Wales with number 04114310

**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/eproxy and following the instructions provided there; or
   - by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

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

   To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by noon on 1 June 2020.

   **In accordance with good governance practice, the Company is offering shareholders use of an online service, offered by the Company's registrar, Computershare Investor Services, at www.investorcentre.co.uk/eproxy. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of noon on 1 June 2020 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/CREST. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.**

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 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 noon on 1 June 2020 (or, in the event of any adjournment, on the date which is two business 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 noon on 1 June 2020. 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 or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

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

6. A copy of this Notice, and other information regarding the AGM, as required by section 311A of the Companies Act 2006, is available from www.albion.capital/funds/AATG under the "Fund Reports" section.

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

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

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

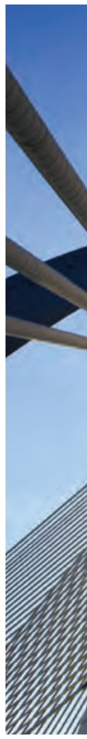
10. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly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

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

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

12. As at 20 March 2020 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 129,624,437 Ordinary shares with a nominal value of 1 penny each. The Company also holds 18,196,470 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 20 March 2020 are 111,427,967.

Albion Technology & General VCT PLC



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Albion Capital