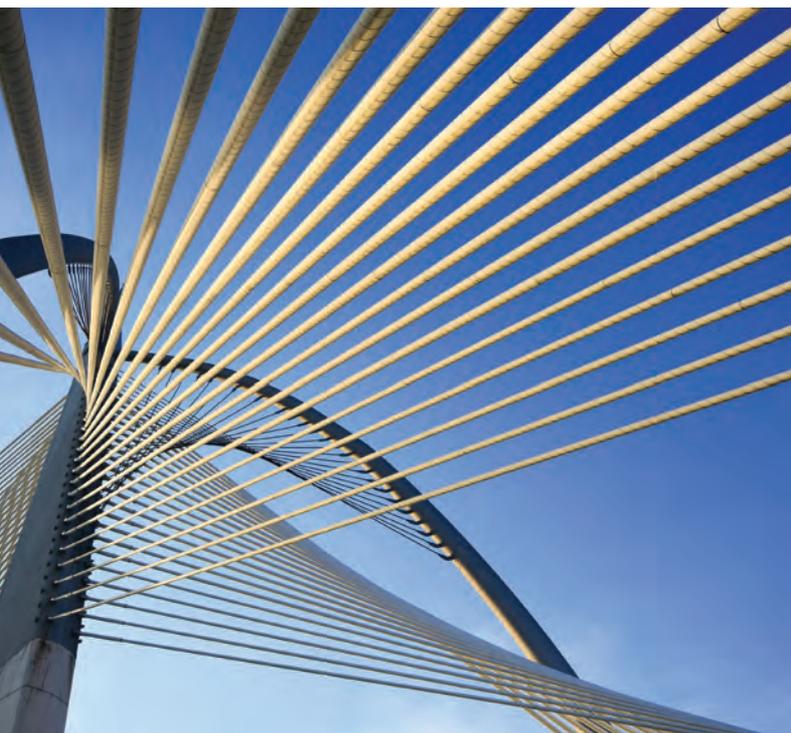


# Albion Technology & General VCT PLC

Annual Report and Financial  
Statements for the year  
ended 31 December 2018



2018

**ALBION**CAPITAL

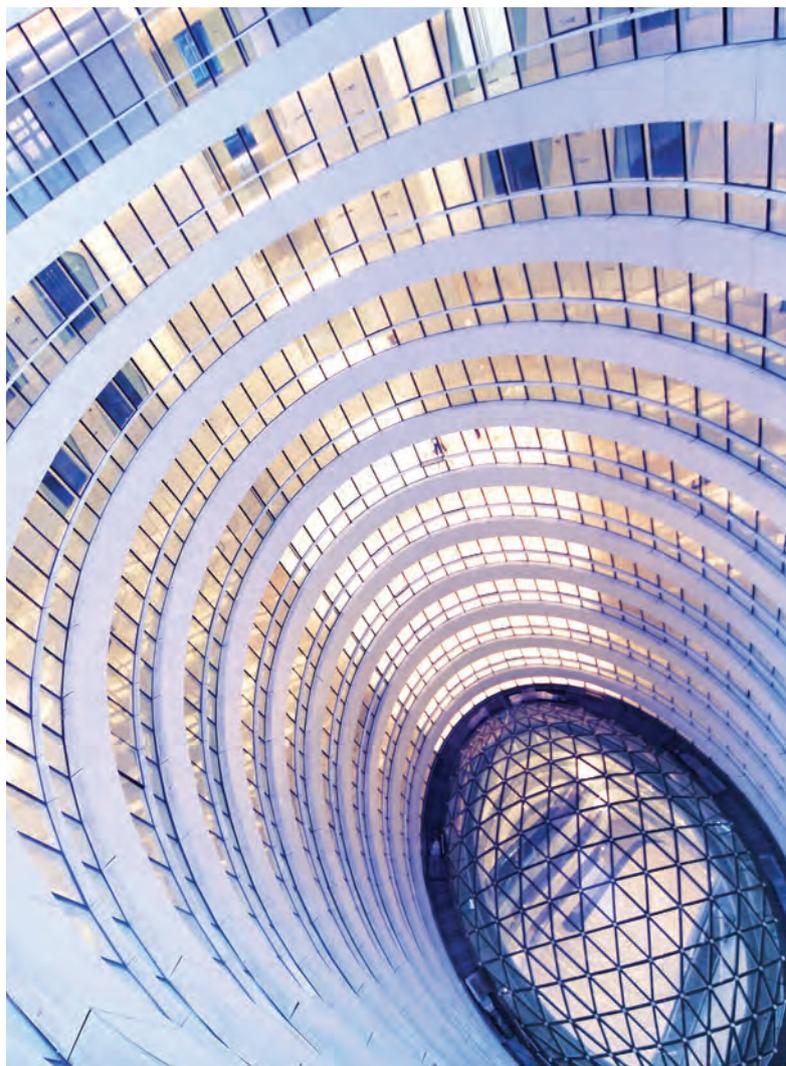
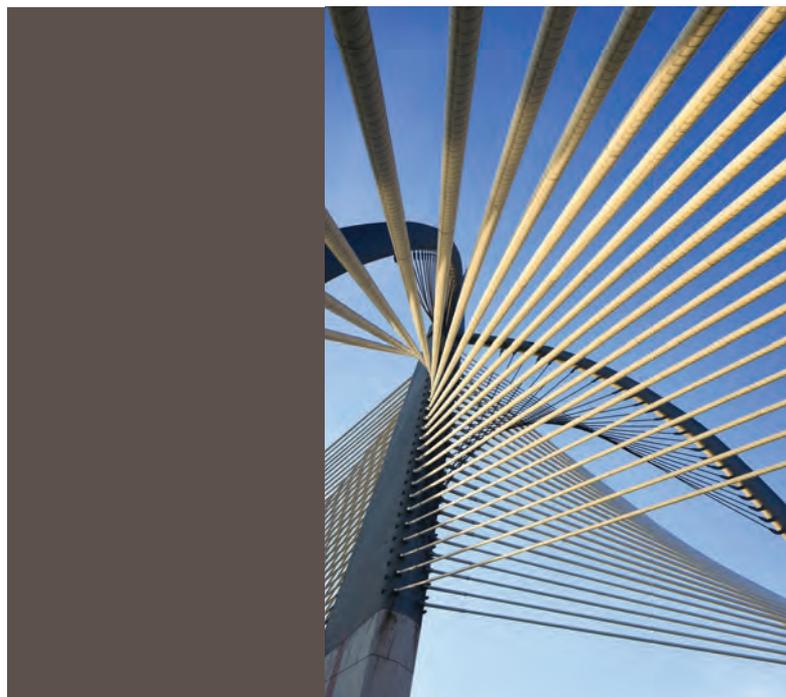


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# Company information

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<b>Company number</b>	04114310
<b>Directors</b>	Dr N E Cross, Chairman R Archibald M A Cordeiro M V H Rees-Mogg P H Reeve
<b>Country of incorporation</b>	United Kingdom
<b>Legal form</b>	Public Limited Company
<b>Manager, company secretary, AIFM and registered office</b>	Albion Capital Group LLP 1 King's Arms Yard London, EC2R 7AF  from June 2019: 1 Benjamin Street Farringdon London, EC1M 5QG
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
<b>Auditor</b>	BDO LLP 55 Baker Street London, W1U 7EU
<b>Taxation adviser</b>	Philip Hare & Associates LLP 1st Floor 4 Staple Inn London, WC1V 7QH
<b>Legal adviser</b>	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
<b>Depository</b>	Ocorian (UK) Limited 11 Old Jewry London, EC2R 8DU

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

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

# Investment objective and policy

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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.

## **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 and 2002, and raised a further £35.0 million during 2006 through the launch of a C share issue. The Company has raised a further £32.2 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 ("Income & Growth") in exchange for new shares in the Company ("the Merger") resulting in a further £28.1 million of net assets.

## Financial calendar

Annual General Meeting	11.00 am on 4 June 2019
Record date for first dividend	7 June 2019
Payment of first dividend	28 June 2019
Announcement of half-yearly results for the six months ending 30 June 2019	September 2019
Payment of second dividend (subject to Board approval)	31 December 2019

# Financial highlights

176.4p

Total shareholder return per Ordinary share since launch

9.5p

Total return per share for the year ended 31 December 2018 (13.2% on opening net asset value per share)

4.0p

Total tax free dividend per Ordinary share paid in the year to 31 December 2018

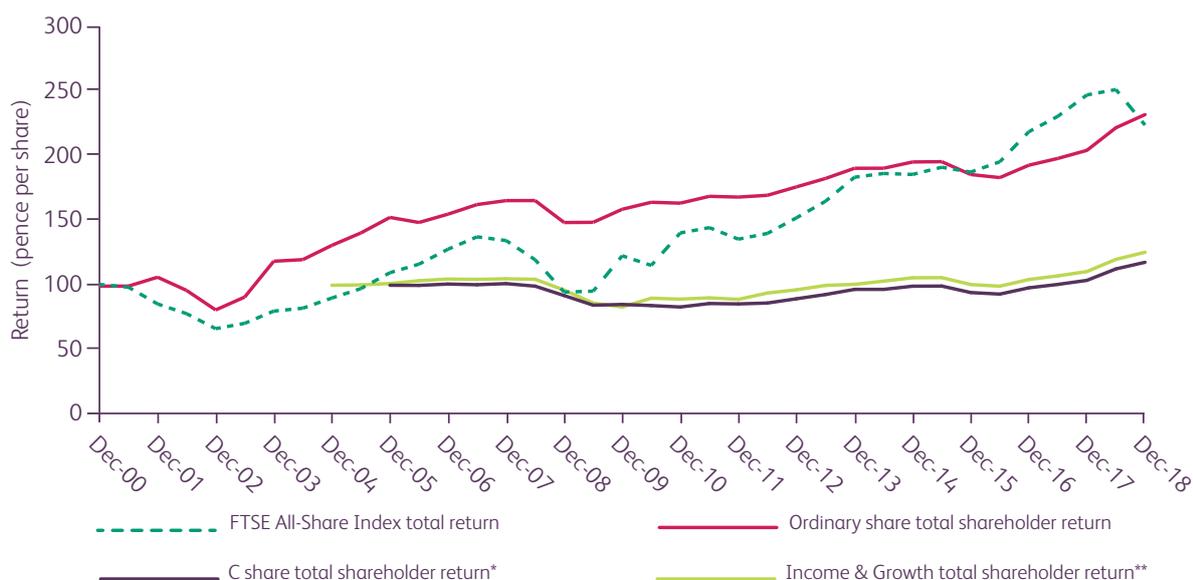
77.4p

Net asset value per Ordinary share as at 31 December 2018

2.75%

Ongoing charges ratio for the year ended 31 December 2018

**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 2018 (pence per share)	31 December 2017 (pence per share)
Opening net asset value	71.9	71.6
Revenue return	0.4	0.2
Capital return	9.1	4.1
Total return	9.5	4.3
Dividends paid	(4.0)	(4.0)
Net asset value	77.4	71.9

Total shareholder return to 31 December 2018:	Ordinary share (pence per share)	C share (pence per share) <sup>(1)</sup>	Income & Growth (pence per share) <sup>(2)</sup>
Total dividends paid during the year ended:			
31 December 2001	1.0	–	–
31 December 2002	2.0	–	–
31 December 2003	1.5	–	–
31 December 2004	7.5	–	–
31 December 2005	9.0	–	0.6
31 December 2006	8.0	0.5	2.6
31 December 2007	8.0	2.5	3.5
31 December 2008	16.0	4.5	3.5
31 December 2009	–	1.0	3.0
31 December 2010	8.0	3.0	3.0
31 December 2011	5.0	3.8	3.5
31 December 2012	5.0	3.9	3.5
31 December 2013	5.0	3.9	3.5
31 December 2014	5.0	3.9	3.9
31 December 2015	5.0	3.9	3.9
31 December 2016	5.0	3.9	3.9
31 December 2017	4.0	3.1	3.1
31 December 2018	4.0	3.1	3.1
<b>Total dividends paid to 31 December 2018</b>	<b>99.0</b>	<b>41.1</b>	<b>44.7</b>
Net asset value as at 31 December 2018	77.4	60.2	60.5
<b>Total shareholder return to 31 December 2018</b>	<b>176.4</b>	<b>101.3</b>	<b>105.2</b>

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 December 2019 of 2.0 pence per share to be paid on 28 June 2019 to shareholders on the register on 7 June 2019.

## 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 9.5 pence per share, which is a 13.2 per cent. return on the opening net asset value per share ”

## Introduction

I am pleased to report the results for Albion Technology & General VCT PLC for the year to 31 December 2018. These show a total return of 9.5 pence per share, which is a 13.2 per cent. return on the opening net asset value per share and is excellent progress after a period of divestment under the recovery plan of the last three years.

## Investment portfolio

The results for the year showed net gains on investments of just over £10.7 million, against gains of £5.1 million for the previous year. The key elements within this included sharp rises in the values of Quantexa, Mirada, G. Network Communications and Egress Software Technologies as their businesses grow, and a rise in the valuation of Radnor House School, following a third party valuation. In addition, they reflected the successful sale of Grapeshtot, a digital marketing business, which was sold for around ten times original cost. Against this, the share price of the AIM-quoted Mi-Pay fell during the period, while slow trading at memsstar contributed to write-downs.

During the year, a total of £4.4 million was deployed into portfolio companies, of which, £1.4 million was invested across seven new portfolio companies, all of which are likely to require further investment as the companies prove themselves and grow:

- Phrasee, which uses artificial intelligence to generate language for optimised marketing campaigns;
- Arecor, a biopharmaceuticals business specialising in diabetes care;
- Koru Kids, a provider of an online marketplace connecting parents and childcare;

- uMotif, which has developed patient engagement and data capture software for use in clinical trials and patient support programmes;
- Forward Clinical, a provider of secure mobile messaging services for doctors and care workers;
- ePatient Network (trading as Raremark), a patient engagement and data business focused on rare diseases; and
- Healios, which provides online delivery of mental health therapy services.

A further £3.0 million was invested in existing portfolio companies, including £540,000 in Locum's Nest, £438,000 in Quantexa and £309,000 in Panaseer. We are also pleased to report that The Ewell (Harley Street), an operator of a women's health centre focusing on fertility, opened during the year.

In addition to the sale of Grapeshtot, referred to above, we had a number of realisations during the year, including our holdings in sparesFinder, Infinite Ventures (Goathill) and CSS Group. Further details can be found in the realisations table on page 20.

Overall, 54 per cent. of the portfolio by value is profitable, measured by earnings before interest, depreciation and tax, with a number of our investments showing strong growth in fast-developing international markets.

## Results and dividends

As at 31 December 2018, the net asset value was 77.4 pence per share compared to 71.9 pence per share at 31 December 2017. The total return after tax was £9.8 million compared to £4.2 million in the year to 31 December 2017.

The Company paid dividends totalling 4.0 pence per share during the year ended 31 December 2018 (2017: 4.0 pence per share). The dividend objective of the Board is to provide shareholders with a strong, predictable dividend flow. The Company will target an annual dividend of 4.0 pence per share for the year ending 31 December 2019, and has declared a first dividend for the year ending 31 December 2019 of 2.0 pence per share to be paid on 28 June 2019 to shareholders on the register on 7 June 2019. Subject to Board approval, a further dividend for the year ending 31 December 2019 will be paid in December 2019.

## Annual General Meeting

Shareholders' views are regarded highly and the Board encourages shareholders' to vote on the resolutions within the Notice of Annual General Meeting on page 65 using the proxy form enclosed with this Annual Report and Financial Statements, or electronically at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). The Board considers carefully the business to be approved at the Annual General Meeting and unanimously recommends voting in favour of all the resolutions being proposed.

## Risks and uncertainties

Other than investment performance through stock selection, the key risks facing the Company are from broader economic factors, including changes to VCT rules. The outlook for the UK and global economies continues to be the key risk affecting the Company, and the withdrawal of the UK from the European Union is likely to have an impact on the Company and its investments, although it is difficult to quantify it at this time. The Manager has performed an assessment on a portfolio company basis to assess

exposure to Europe, and appropriate actions, where possible, have been implemented.

The Manager has a clear focus to allocate resources to those sectors and opportunities where it believes growth can be both resilient and sustainable. However, 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 13 and 14.

## Share buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in new and existing portfolio companies and for the continued payment of dividends to shareholders. The Board's policy is to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit. The Board continues to review the use of buy-backs and is satisfied that it is an important means of providing market liquidity for shareholders.

## Transactions with the Manager

Details of transactions that took place with the Manager during the year can be found in note 5 and principally relate to the investment management fee. As a result of the lowering of the expenses cap in 2015 to 2.75 per cent. of net assets, the investment management fee was reduced by £136,000 in the year (2017: £137,000). 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") by 0.75 per cent. per annum, which represents the management fee charged by OLIM. This avoids double counting of



“successful sale of Grapeshot, a digital marketing business, which was sold for around ten times original cost”

# Chairman's statement continued

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fees and resulted in a further reduction of the management fee of £15,000 (2017:£3,000). Further details on the investments in the OUEIF can be found in note 20.

## **Albion VCTs Prospectus Top Up Offers**

Your Board, in conjunction with the boards of other VCTs managed by Albion Capital Group LLP, launched a prospectus top up offer of new Ordinary shares on 7 January 2019. A Securities Note, which forms part of the Prospectus, was sent to shareholders. The proceeds of the Offer will be used to provide further resources at a time when a number of attractive investment opportunities are being seen.

The funds raised by the Company pursuant to the Offer will be added to the liquid resources available for investment, putting the Company into a position to take advantage of investment opportunities over the next two to three years. The proceeds of the Offer will be applied in accordance with the Company's investment policy. The Company continues to participate in the Top Up Offers and also benefits from receipts from dividend reinvestment, the net proceeds of which are invested in new investment opportunities and to provide additional working capital in the Company. It is important that the Company continues to have cash available for future investments and the Top Up Offers and dividend reinvestments are important sources of that capital.

## **Outlook and prospects**

It is encouraging to see strong performance returning to the Company. The portfolio remains well balanced, despite its exposure to an increasing number of early stage technology businesses. However, the portfolio's ability to grow and add value is shown by a number of our more mature technology investments, whose prospects lead us to look forward to the future with cautious optimism despite a less than propitious and uncertain economic backdrop.

**Dr. N E Cross**

Chairman

22 March 2019

# Strategic report

## Investment objective and policy

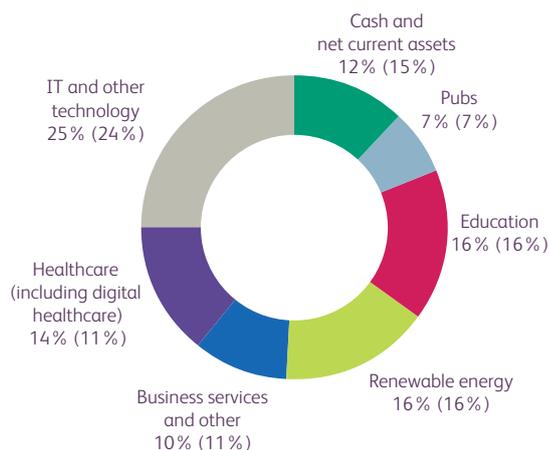
The Company's investment objective is to provide investors with a regular and predictable source of dividend income, combined with the prospect of long-term capital growth, through a balanced portfolio of unquoted growth and technology businesses in a qualifying venture capital trust.

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 chart shows the split of the portfolio valuation by sector as at 31 December 2018. Details of the principal investments made by the Company are shown in the Portfolio of investments on pages 18 to 20.



Comparatives for 31 December 2017 are in brackets  
Source: Albion Capital Group LLP

## Direction of portfolio

Following a change to the company's investment policy at the 2018 Annual General Meeting, a greater focus has been given to growth and technology investments, which will result in a decrease of asset-based investments as a percentage of the portfolio over time. The change in investment policy, which took into account recent changes in qualifying rules for VCTs, was approved by shareholders with an encouraging 98.9 per cent. of shares voted for the resolution.

The current portfolio is well balanced in terms of sectors, with education accounting for 16 per cent., renewable energy at 16 per cent. and pubs at 7 per cent.. We expect the IT and other technology and healthcare (including digital healthcare) sectors to continue gradually increasing as a proportion of the portfolio.

## Results and dividends

	Ordinary shares £'000
Net revenue return for the year ended 31 December 2018	370
Net capital gain for the year ended 31 December 2018	9,389
<b>Total return for the year ended 31 December 2018</b>	<b>9,759</b>
Dividend of 2.0 pence per share paid on 29 June 2018	(2,081)
Dividend of 2.0 pence per share paid on 31 December 2018	(2,055)
<b>Transferred to reserves</b>	<b>5,623</b>
Net assets as at 31 December 2018	79,897
<b>Net asset value per share as at 31 December 2018</b>	<b>77.4p</b>

The Company paid dividends of 4.0 pence per share during the year ended 31 December 2018 (2017: 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 2019, of 2.0 pence per share to be paid on 28 June 2019 to shareholders on the register on 7 June 2019.

As shown in the Income statement on page 47, investment income has increased to £1,184,000 (2017: £995,000). 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 £370,000 (2017: £233,000).

The capital gain for the year was £9,389,000 (2017: £3,958,000). This is mainly attributable to uplifts in valuations for Quantexa (£2,429,000), Radnor House School (Holdings) (£1,264,000), Mirada Medical (£1,404,000) and G. Network Communications (£1,195,000) and the realised gain in the year of £1,785,000 on the sale of Grapeshot. These were partly offset by unrealised losses on memsstar (£885,000) and Mi-Pay Group (£314,000). The total return for the period was 9.5 pence per share (2017: 4.3 pence per share).

The Balance sheet on page 48 shows that the net asset value per share has increased over the last year to 77.4 pence per share (2017: 71.9 pence per share). The increase in net asset value is attributed to the total return of 9.5 pence per share offset by the payment of 4.0 pence per share of dividends.

The cash outflow for the year reflected the £4.4 million of new and follow on investments, dividends paid of £3.5 million, buy-backs of £1.6 million of shares and a further £0.9 million invested into the SVS Albion OLIM UK Equity Income Fund. This was offset by the issue of new shares under the Albion VCTs Top Up Offers which raised £2.6 million and £5.6 million received from the disposal of investments and receipt of deferred consideration.

### 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 8 and in this Strategic report.

Following changes to the VCT regulations in 2017, asset-based investments will decrease over time as a proportion of the portfolio as a greater emphasis continues to be given to growth and technology investments. It is expected that with the changes in the investment policy and to the VCT regulations, 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

As outlined in the Chairman's statement, 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

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

#### 1. Net asset value per share and total shareholder return

Please see the "Total shareholder return to 31 December 2018" table on page 5 in the Financial highlights section which shows the NAV per share as at 31 December 2018 and total shareholder return. Total shareholder return is net asset value plus cumulative dividends paid since launch.

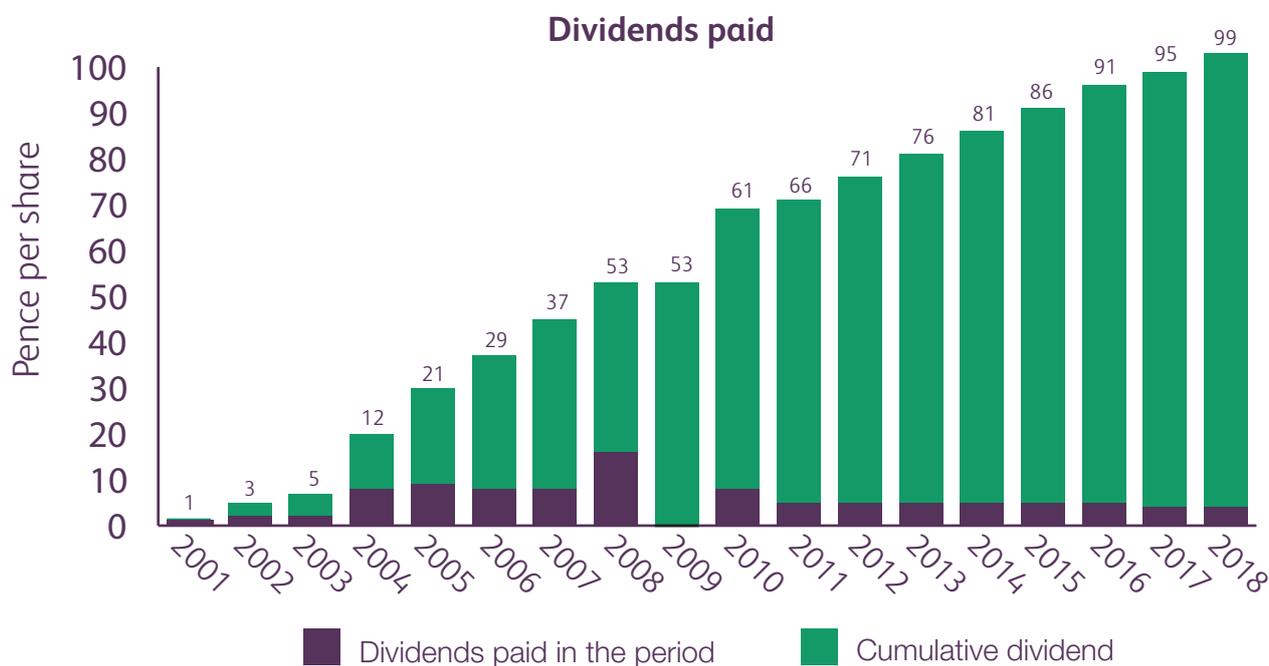
Total shareholder return increased by 9.5 pence to 176.4 pence per Ordinary share for the year ended 31 December 2018 (13.2 per cent. on the opening net asset value).

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

#### 2. Dividend distributions

Dividends paid in respect of the year ended 31 December 2018 were 4.0 pence per share (2017: 4.0 pence per share), in line with the Board's dividend objective. Cumulative dividends paid since inception are 99.0 pence per Ordinary share.

## 2. Dividend distributions (continued)



## 3. Ongoing charges

As agreed with the Manager in 2015, the ongoing charges ratio for the year to 31 December 2018 was capped at 2.75 per cent. (2017: 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 (2017: £137,000).

## 4. 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 28.

The relevant tests to measure compliance have been carried out and independently reviewed for the year ended 31 December 2018. These showed that the Company has complied with all tests and continues to do so.

## 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.

## 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 (2017: £nil). The performance threshold at 31 December 2018 was 196.5 pence for the Ordinary shares, 169.7 pence for the former C shares and 175.5 pence for the former Income & Growth shares which compare to total returns of 176.4 pence, 101.3 pence and 105.2 pence respectively, based on the latest NAV.

For the previous two years, the Company’s return has exceeded dividends paid, with a return of 9.5 pence per share (13.2 per cent. of opening NAV) in the year to 31 December 2018. However, the total return has fallen short of the hurdle by 20.1 pence per Ordinary share. In recent years the Company has issued substantial new shares under the Top Up Offers and also through the Dividend Reinvestment Scheme. The Company has also bought back substantial shares, with both buyback and issuance altering the equity balance of the Company.

In light of these factors, the Board is intending to review the current performance incentive arrangements to determine their effectiveness and to ensure that Manager incentivisation and objectives are aligned with the interests of the Company.

### 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.

### 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. (to be 80 per cent. in respect of accounting periods starting on or after 6 April 2019) 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; and
- benchmarking the performance of the Manager to other service providers including the performance of other VCTs that the Manager is responsible for managing.

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 Depository to oversee the custody and cash arrangements and provide other AIFMD duties with respect to the Company.

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

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

### General Data Protection Regulation (“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.

### 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 28 and 29.

# Strategic report continued

## Risk management

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

Risk	Possible consequence	Risk management
Investment and performance risk	<p>The risk of investment in poor quality assets, which could reduce the capital and income returns to shareholders, and could negatively impact on the Company's current and future valuations.</p> <p>By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more volatile than larger, long established businesses.</p> <p>Investments in open-ended equity funds result in exposure to market risk through movements in price per unit.</p>	<p>To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its track record over many years of making successful investments in this segment of the market. In addition, the Manager operates a formal and structured investment appraisal and review process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites and takes account of comments from non-executive Directors of the Company on matters discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on portfolio company boards), including the level of diversification in the portfolio, and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings. The Board and Manager regularly reviews the deployment of cash resources into equity markets, the extent of exposure and performance of the exposure.</p>
VCT approval risk	<p>The Company must comply with section 274 of the Income Tax Act 2007 which enables its investors to take advantage of tax relief on their investment and on future returns. Breach of any of the rules enabling the Company to hold VCT status could result in the loss of that status.</p>	<p>To reduce this risk, the Board has appointed the Manager, which has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Philip Hare &amp; Associates LLP as its taxation adviser, who report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation. Each investment in a portfolio company is also pre-cleared with our professional advisers or H.M. Revenue &amp; Customs.</p>
Regulatory and compliance risk	<p>The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.</p>	<p>Board members and the Manager have experience of operating at senior levels within or advising quoted companies. In addition, the Board and the Manager receive regular updates on new regulation, including legislation on the management of the Company, from its auditor, lawyers and other professional bodies. The Company is subject to compliance checks through the Manager's compliance officer. The Manager reports monthly to its Board on any issues arising from compliance or regulation. These controls are also reviewed as part of the quarterly Board meetings, and also as part of the review work undertaken by the Manager's compliance officer. The report on controls is also evaluated by the internal auditors.</p>
Market value of Ordinary shares	<p>The market value of Ordinary shares can fluctuate. The market value of an Ordinary share, as well as being affected by its net asset value and prospective net asset value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary share may vary considerably from its underlying net asset value. The market prices of shares in quoted investment companies can, therefore, be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment and other factors including the ability to exercise share buybacks. Accordingly the market price of the Ordinary shares may not fully reflect their underlying net asset value.</p>	<p>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.</p> <p>New Ordinary shares are issued at sufficient premium to net asset value to cover the costs of issue and to avoid asset value dilution to existing investors.</p>

Risk	Possible consequence	Risk management
Operational and internal control risk	The Company relies on a number of third parties, in particular the Manager, for the provision of investment management and administrative functions. Failures in key systems and controls within the Manager's business could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.	<p>The Company and its operations are subject to a series of rigorous internal controls and review procedures exercised throughout the year, and receives reports from the Manager on internal controls and risk management, including on matters relating to cyber security.</p> <p>The Audit 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.</p> <p>From 1 October 2018, Ocorian (UK) Limited were appointed as Depository 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.</p> <p>In addition, the Board regularly reviews the performance of its key service providers, particularly the Manager, to ensure they continue to have the necessary expertise and resources to deliver the Company's investment policy. The Manager and other service providers have also demonstrated to the Board that there is no undue reliance placed upon any one individual.</p>
Economic and political risk	Changes in economic conditions, including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and other factors could substantially and adversely affect the Company's prospects in a number of ways.	<p>The Company invests in a diversified portfolio of companies across a number of industry sectors and in addition often invests a mixture of instruments in portfolio companies and has a policy of not normally permitting any external bank borrowings within portfolio companies.</p> <p>At any given time, the Company has sufficient cash resources to meet its operating requirements, including share buy backs and follow on investments.</p>

## Viability statement

In accordance with the FRC UK Corporate Governance Code published in 2016 and principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over three years to 31 December 2021. The Directors believe that three years is a reasonable period in which they can assess the future of the Company to continue to operate and meet its liabilities as they fall due and is also the period used by the Board in the strategic planning process and is considered reasonable for a business of our nature and size. The three year period is considered the most appropriate given the forecasts that the Board require from the Manager and the estimated timelines for finding, assessing and completing investments.

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

The Board assessed the ability of the Company to raise finance and deploy capital. 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 2021.

This Strategic report of the Company for the year ended 31 December 2018 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  
22 March 2019

# The Board of Directors

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

**Dr Neil Cross FCIS**, (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 May 2014, where he was head of corporate finance and broking from August 2004 until August 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 restructurings 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.

**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) is currently the managing partner of Albion Capital and will become part-time chairman of Albion Capital on 1 April 2019. He is a director of Albion Development VCT, Albion Enterprise VCT, Albion Community Power Limited and chairman of OLIM Investment Managers. He is also a member of the Audit Committee of University College London, and a director of the Association of Investment Companies. Patrick joined Close Brothers Group plc in 1989, before establishing Albion Capital (formerly Albion Ventures LLP, formerly Close Ventures Limited) 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.

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.

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 and provides administration services to Albion Community Power Limited and Albion Care Communities Limited. Albion Capital, together with its subsidiary, OLIM Investment Managers, currently has total assets under management or administration of approximately £1 billion. Albion Capital has recently won two awards: Investor Allstars Venture Capital Trust of the Year 2018 and Growth Investor of the Year 2018.

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

**Patrick Reeve, MA, FCA,**

details included in the Board of Directors section.

**Will Fraser-Allen BA (Hons), FCA,**

is currently the deputy managing partner of Albion Capital and will become managing partner on 1 April 2019. He has 16 years' experience investing in healthcare, leisure, media and technology enabled businesses. He joined Albion Capital in 2001 and became deputy managing partner in 2009. Prior to joining Albion, Will qualified as a chartered accountant with Cooper Lancaster Brewers and has a BA in History from Southampton University.

**Dr. Andrew Elder MA, FRCS,**

is head of healthcare investing, and from 1 April 2019 will become deputy managing partner. He joined Albion Capital in 2005 and became a partner in 2009. Prior to Albion, Andrew was a strategy consultant specialising in healthcare at the Boston Consulting Group. He graduated with an MA plus Bachelors of Medicine and Surgery from Cambridge University and practised as a surgeon for six years specialising in neurosurgery. He is a Fellow of the Royal College of Surgeons (England).

**Adam Chirkowski MA (Hons),**

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

**Emil Gigov BA (Hons), FCA,**

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

**David Gudgin BSc (Hons), ACMA,**

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

**Vikash Hansrani BA (Hons), FCA,**

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

**Ed Lascelles BA (Hons),**

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

**Catriona McDonald BA (Hons),**

is an investment associate at Albion Capital specialising in technology investing. She 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. She 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.

**Henry Stanford MA, ACA,**

is a partner of Albion Capital and has been responsible for much of the asset-based portfolio. Henry joined Albion Capital in 1998 and became a partner in 2009. Prior to joining Albion, he qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Close Brothers Group. Henry holds an MA degree in Classics from Oxford University. He will be retiring from a full time role on 1 April 2019.

**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 2018			As at 31 December 2017			Change in value for the year** £'000
			Cost £'000	Cumulative movement in value £'000	Value £'000	Cost £'000	Cumulative movement in value £'000	Value £'000	
Radnor House School (Holdings) Limited	15.3	50.0	5,338	6,184	11,522	5,415	4,920	10,335	1,264
Process Systems Enterprise Limited	13.9	20.7	2,160	2,703	4,863	2,160	2,325	4,485	378
Chonais River Hydro Limited	15.7	50.0	2,169	2,013	4,182	2,169	1,029	3,198	984
Bravo Inns II Limited	15.1	50.0	2,639	729	3,368	2,639	494	3,133	235
Mirada Medical Limited	14.3	44.0	978	2,378	3,356	978	974	1,952	1,404
Quantexa Limited	3.1	12.3	773	2,429	3,202	335	–	335	2,429
Earnside Energy Limited	12.7	50.0	2,059	423	2,482	2,059	202	2,261	221
G. Network Communications Limited	5.8	25.7	1,050	1,195	2,245	1,050	–	1,050	1,195
Gharagain River Hydro Limited	18.5	50.0	1,526	685	2,211	1,526	314	1,840	371
Egress Software Technologies Limited	2.2	24.7	765	1,349	2,114	466	588	1,054	761
Bravo Inns Limited	28.8	50.0	2,411	(594)	1,817	2,411	(498)	1,913	(96)
Proveca Limited	6.9	47.9	729	917	1,646	729	772	1,501	145
MHS1 Limited	22.5	50.0	1,565	(5)	1,560	1,565	(3)	1,562	(2)
memsstar Limited	30.1	44.7	906	548	1,454	1,007	1,433	2,440	(885)
The Street by Street Solar Programme Limited	8.1	50.0	895	557	1,452	895	483	1,378	74
TWCL Limited	25.2	50.0	1,502	(85)	1,417	1,502	(48)	1,454	(37)
Convertr Media Limited	7.0	27.0	975	427	1,402	780	(55)	725	482
Oxsensis Limited	12.3	18.2	1,548	(177)	1,371	1,548	(177)	1,371	–
DySIS Medical Limited	7.1	20.3	2,589	(1,267)	1,322	2,369	(1,448)	921	241
Regenerco Renewable Energy Limited	7.9	50.0	822	449	1,271	822	384	1,206	65
The Ewell (Harley Street) Limited (previously Women's Health (London West One) Limited)	8.3	40.0	1,039	–	1,039	1,039	–	1,039	–
Beddlestead Limited	9.8	49.0	1,000	–	1,000	1,000	–	1,000	–
Zift Channel Solutions Inc.	1.6	6.4	881	113	994	881	–	881	113
Alto Prodotto Wind Limited	6.9	50.0	661	325	986	682	266	948	69
MPP Global Solutions Limited	3.2	13.5	950	–	950	950	–	950	–
The Q Garden Company Limited	33.4	50.0	934	(2)	932	934	(2)	932	–
Black Swan Data Limited	1.7	12.4	828	–	828	595	–	595	–
Panaseer Limited	3.2	11.6	557	214	771	248	148	396	66
Mi-Pay Group plc	19.6	31.6	4,163	(3,401)	762	4,163	(3,087)	1,076	(314)
Locum's Nest Limited	7.8	28.8	675	41	716	135	–	135	41
Oviva AG	3.8	15.9	665	6	671	665	166	831	(160)
Cisiv Limited	7.8	30.9	695	(28)	667	574	(278)	296	250
Secured by Design Limited	2.7	10.0	410	253	663	410	1	411	252
Premier Leisure (Suffolk) Limited	25.8	47.4	454	67	521	454	65	519	2
Erin Solar Limited	15.7	50.0	440	(19)	421	440	(20)	420	1
MyMeds&Me Limited	4.6	42.1	439	(23)	416	260	133	393	(89)
Sandcroft Avenue Limited (PayAsUGym)	2.2	22.0	397	16	413	97	5	102	11
Albion Investment Properties Limited	31.8	100.0	434	(29)	405	434	(47)	387	18
Phrasee Limited	1.9	11.0	392	–	392	–	–	–	–
AVESI Limited	8.0	50.0	259	121	380	259	112	371	9
InCrowd Sports Limited	3.4	12.2	294	28	322	84	–	84	28

# Portfolio of investments continued

Portfolio company	% voting rights held by all Albion* managed companies		As at 31 December 2018			As at 31 December 2017			Change in value for the year** £'000
			Cumulative movement			Cumulative movement			
			Cost £'000	in value £'000	Value £'000	Cost £'000	in value £'000	Value £'000	
Aridhia Informatics Limited	5.1	22.3	887	(567)	320	887	(447)	440	(120)
Harvest AD Limited	n/a	n/a	210	22	232	210	–	210	22
Arecor Limited	1.3	8.3	220	–	220	–	–	–	–
Koru Kids Limited	1.7	9.7	204	–	204	–	–	–	–
Abcodia Limited	3.2	19.5	549	(355)	194	440	(259)	181	(96)
OmPrompt Holdings Limited	2.9	36.7	266	(86)	180	266	(58)	208	(28)
Greenenerco Limited	3.1	50.0	102	70	172	107	55	162	15
Forward Clinical Limited	1.6	9.2	170	–	170	–	–	–	–
uMotif Limited	1.1	6.2	170	–	170	–	–	–	–
ePatient Network Limited (Raremark)	1.3	8.4	115	–	115	–	–	–	–
Innovation Broking Group Limited (Previously Dickson Financial Services Limited)	6.0	30.0	60	44	104	60	31	91	13
Healios Limited	0.8	5.2	80	–	80	–	–	–	–
Tambla Limited (Previously ComOps Limited)	0.7	1.0	68	(31)	37	68	(38)	30	7
Palm Tree Technology Limited	0.5	0.7	320	(287)	33	320	(157)	163	(130)
Elements Software Limited	3.3	4.5	19	(19)	–	19	(19)	–	–
<b>Total fixed asset investments</b>			<b>53,406</b>	<b>17,331</b>	<b>70,737</b>	<b>49,106</b>	<b>8,259</b>	<b>57,365</b>	<b>9,209</b>

\* Albion Capital Group LLP

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

<b>Total change in value of investments for the year</b>	<b>9,209</b>
Movement in loan stock accrued interest	62
<b>Unrealised gains on fixed asset investments</b>	<b>9,271</b>
Realised gains on fixed asset investments	1,799
Unrealised losses on current asset investments	(361)
<b>Total gains on investments as per Income statement</b>	<b>10,709</b>

The comparative cost and valuations for 31 December 2017 do not agree to the Annual Report and Financial Statements for the year ended 31 December 2017 as the above list does not include brought forward investments that were fully disposed of in the year.

	As at 31 December 2018			As at 31 December 2017			Change in value for the year** £'000
	Cumulative movement			Cumulative movement			
	Cost £'000	in value £'000	Value £'000	Cost £'000	in value £'000	Value £'000	
SVS Albion OLIM UK Equity Income Fund	2,260	(339)	1,921	1,350	22	1,372	(361)
<b>Total current asset investments</b>	<b>2,260</b>	<b>(339)</b>	<b>1,921</b>	<b>1,350</b>	<b>22</b>	<b>1,372</b>	<b>(361)</b>

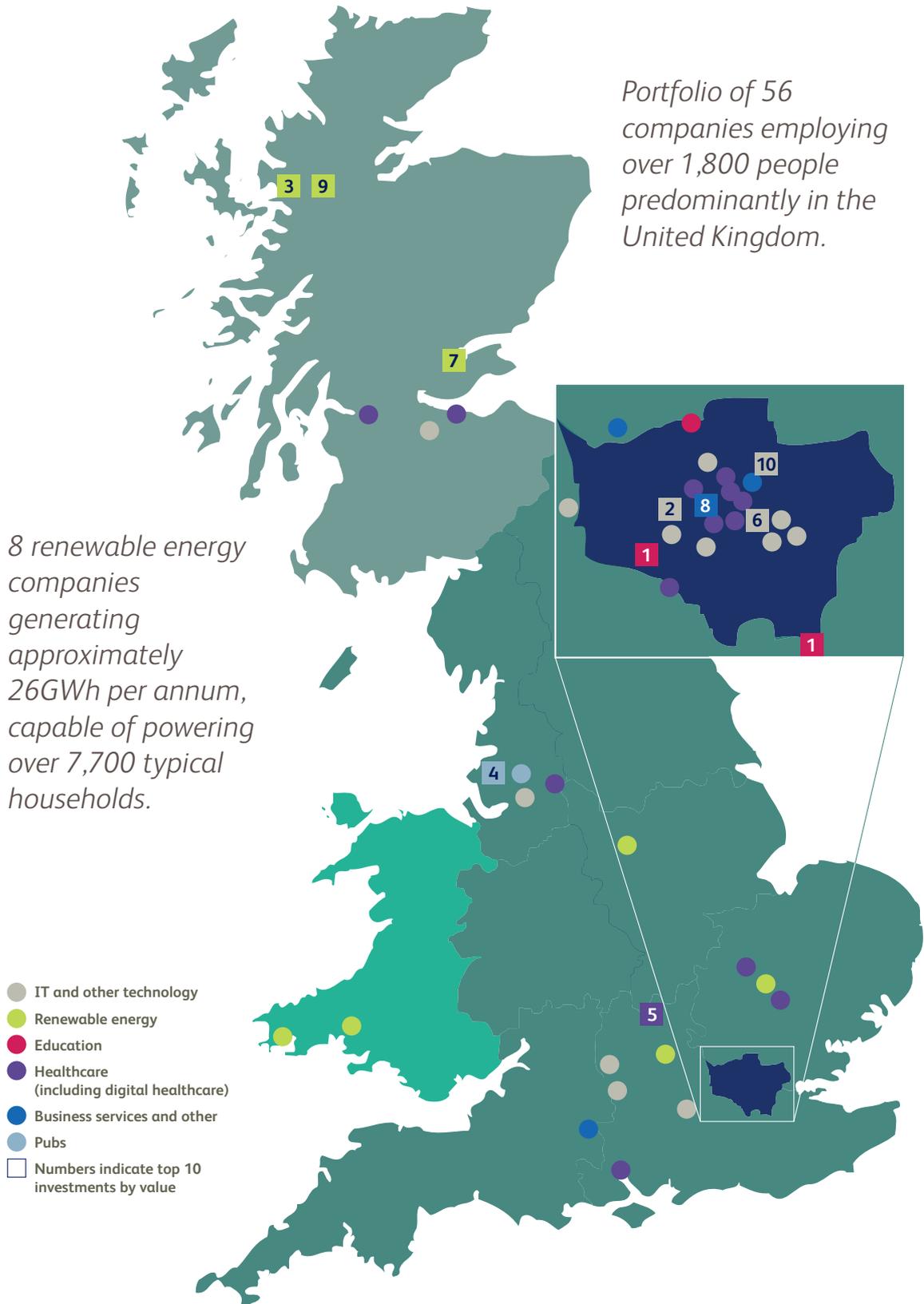
# Portfolio of investments continued

Fixed asset investment realisations during the year to 31 December 2018	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
<b>Disposals:</b>					
Grapeshot Limited	390	1,795	3,580	3,190	1,785
sparesFinder Limited	613	858	868	255	10
Infinite Ventures (Goathill) Limited	400	527	554	154	27
CSS Group Limited	188	179	60	(128)	(119)
<b>Loan stock repayments, restructurings and other:</b>					
DySIS Medical Limited	516	575	596	80	21
MyMeds&Me Limited	193	259	259	66	–
memsstar Limited	101	101	101	–	–
Radnor House School (Holdings) Limited	77	77	77	–	–
Alto Prodotto Wind Limited	20	30	30	10	–
Greenenerco Limited	4	6	6	2	–
Escrow adjustments*	–	–	75	75	75
<b>Total realisations</b>	<b>2,502</b>	<b>4,407</b>	<b>6,206</b>	<b>3,704</b>	<b>1,799</b>

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

# Portfolio companies

## Geographical locations



# Portfolio companies continued

The top ten fixed asset investments by value are below.



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

## 1. Radnor House School (Holdings) Limited

Radnor House operates two independent schools in Twickenham (above) and Sevenoaks (below). The Twickenham school is now well established and trades at mature levels. The school in Sevenoaks, which was acquired in 2015, is growing strongly. Both schools aim 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 them for a dynamic and rapidly changing world.

### Audited results: year to 31 August 2018

Turnover  
EBITDA  
Profit before tax  
Net assets  
Basis of valuation

### £'000

12,952  
2,194  
40  
37,636  
Third party valuation – earnings multiple

### Investment information

Income recognised in the year  
Total cost  
Valuation  
Voting rights  
Voting rights for all Albion managed companies

### £'000

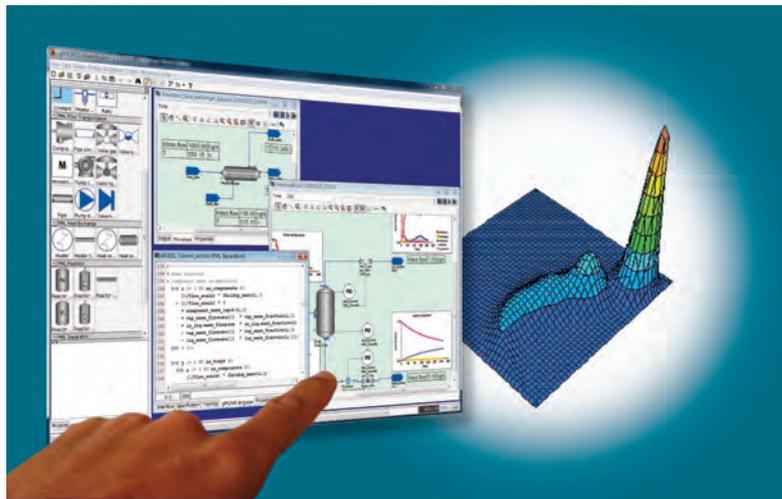
543  
5,338  
11,522  
15.3 per cent.  
50.0 per cent.



# Portfolio companies continued

## 2. Process Systems Enterprise Limited

PSE is the leading supplier of Advanced Process Modelling software and model-based engineering and innovation services to the process industries. PSE's products and services help process organisations explore the decision space rapidly and effectively, and make better, faster and safer design and operation decisions. PSE's customers include 60 Fortune 500 companies, including 5 of the 6 oil majors, some of the world's leading pharma companies, 7 of the top 10 chemical companies and the world's most innovative companies in areas including fuel cells. PSE has offices in London, New Jersey, Houston, Japan, Korea, Switzerland, and representative offices in Taiwan, Thailand, Beijing and Shanghai.



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

### Audited results: year to 31 December 2017

Turnover  
EBITDA  
Profit before tax  
Net assets  
Basis of valuation

### £'000

16,513  
3,809  
758  
4,940  
Revenue multiple

### Investment information

Income recognised in the year  
Total cost  
Valuation  
Voting rights  
Voting rights for all Albion managed companies

### £'000

–  
2,160  
4,863  
13.9 per cent.  
20.7 per cent.



## 3. Chonais River Hydro Limited

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

### Filleted audited results: year to 30 September 2017

Net liabilities  
Basis of valuation

### £'000

(57)  
Third party valuation – discounted cash flow

### Investment information

Income recognised in the year  
Total cost  
Valuation  
Voting rights  
Voting rights for all Albion managed companies

### £'000

129  
2,169  
4,182  
15.7 per cent.  
50.0 per cent.

# Portfolio companies continued



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

## 4. Bravo Inns II Limited

Bravo Inns II was formed in September 2007 to acquire freehold pubs in the North of England. The Bravo strategy is to acquire closed and underinvested sites, undertaking high quality refurbishments before trading as wet-led community pubs. The estate currently consists of 33 sites and the Bravo team are looking to add 2-3 sites a year to grow the estate.

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

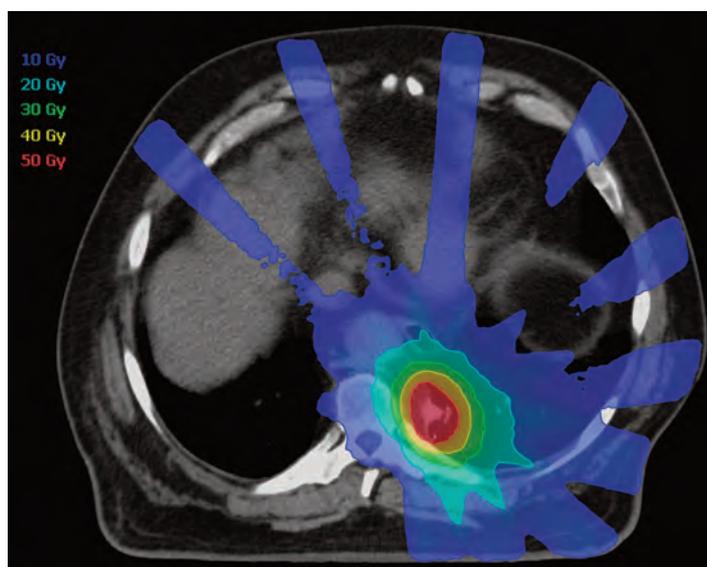
	£'000
Net assets	4,955
Basis of valuation	Third party valuation – earnings multiple

### Investment information

	£'000
Income recognised in the year	13
Total cost	2,639
Valuation	3,368
Voting rights	15.1 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

## 5. 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.



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

### Audited results: year to 31 December 2017

	£'000
Turnover	4,437
EBITDA	(303)
Loss before tax	(610)
Net liabilities	(1,834)
Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)

### Investment information

	£'000
Income recognised in the year	41
Total cost	978
Valuation	3,356
Voting rights	14.3 per cent.
Voting rights for all Albion managed companies	44.0 per cent.

# Portfolio companies continued

## 6. Quantexa Limited

Quantexa has developed an analytics platform which offers entity resolution and network analytics at massive scale in real time. This capability is used to monitor and prevent financial crime for the banking sector, where Quantexa can materially improve KYC and AML processes, and support financial investigations.



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

### Audited results: year to 31 March 2018

	£'000
Turnover	5,018
EBITDA	(1,471)
Loss before tax	(1,539)
Net assets	2,069
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	3.1 per cent.
Voting rights for all Albion managed companies	12.3 per cent.



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

## 7. Earnside Energy Limited

Earnside Energy owns and operates an anaerobic digestion (“AD”) plant and composting facility in Perthshire in Scotland. The AD plant, which was expanded in 2017, turns waste food into electricity and produces digestate for use as an agricultural fertiliser, while the composting facility produces compost from comingled food and garden waste. The combined facility is capable of processing c. 75,000 tonnes of waste per annum.

### Audited results: year to 31 December 2017

	£'000
Turnover	2,803
EBITDA	158
Loss before tax	(1,080)
Net liabilities	(101)
Basis of valuation	

Contracted sale price

### Investment information

	£'000
Income recognised in the year	–
Total cost	2,059
Total valuation	2,482
Voting rights	12.7 per cent.
Voting rights for all Albion managed companies	50.0 per cent.

# Portfolio companies continued



Website: [www.g.network](http://www.g.network)

## 8. 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 Company was founded in March 2016. The Albion funds have been used to ramp up the build out of street units, as well as building the team, predominantly a dedicated sales and marketing team to sign up customers.

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

£'000

Net liabilities	(381)
Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)

### Investment information

£'000

Income recognised in the year	–
Total cost	1,050
Valuation	2,245
Voting rights	5.8 per cent.
Voting rights for all Albion managed companies	25.7 per cent.

## 9. 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 2017

£'000

Net assets	194
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.

## 10. Egress Software Technologies Limited

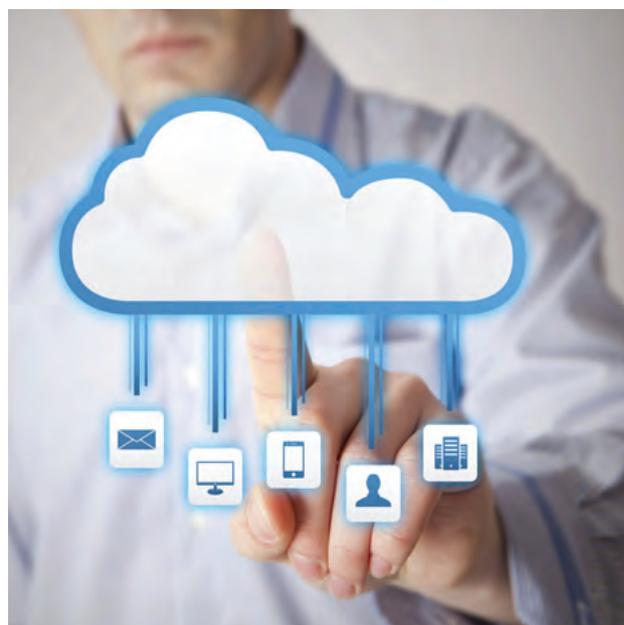
Egress has developed a cloud-based data security platform that offers encryption services including email, file transfer, document collaboration and archiving. Egress serves customers in the public sector, financial services, health and legal sectors. The company is predominantly focused in the UK but has begun to expand overseas.

### Audited results: year to

31 December 2017

£'000

Turnover	9,403	Investment information	£'000
EBITDA	(1,121)	Income recognised in the year	–
Loss before tax	(1,222)	Total cost	765
Net liabilities	(501)	Valuation	2,114
Basis of valuation	Cost and price of recent investment (reviewed for impairment or uplift)	Voting rights	2.2 per cent.
		Voting rights for all Albion managed companies	24.7 per cent.



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

# Directors' report

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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 2018. The Statement of corporate governance on pages 33 to 37 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 28 of this Directors' report. Approval for the year ended 31 December 2018 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 4,442,278 Ordinary shares, of which 3,626,033 Ordinary shares (2017: 12,788,917 Ordinary shares) were issued under the Albion VCTs Top Up Offers; and 816,245 Ordinary shares (2017: 809,160 Ordinary shares) were issued under the Company's Dividend Reinvestment Scheme.

Your Board, in conjunction with the boards of other VCTs managed by Albion Capital Group LLP, launched a prospectus top up offer of new Ordinary shares on 7 January 2019. A Securities Note, which forms part of the Prospectus, has been sent to shareholders. The proceeds will be used to provide further resources at a time when a number of attractive investment opportunities are being seen.

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current buy-back policy can be found on page 7 of the Chairman's statement. Details on share buy-backs during the year can be found in note 15.

### Substantial interests and shareholder profile

As at 31 December 2018 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 2018, 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 8 of the Chairman's statement and on page 10 of the Strategic report.

### Results and dividends

Detailed information on the results and dividends for the year ended 31 December 2018 can be found in the Strategic report on pages 9 and 10.

### 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.

### Post balance sheet events

Details of events that have occurred since 31 December 2018 are shown in note 19.

### Principal risks and uncertainties

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

### VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. In order to maintain its status under Venture Capital Trust legislation, a VCT must comply on a continuing basis with the provisions of Section 274 of the Income Tax Act 2007 (as 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' (this will increase to 80 per cent. for accounting periods beginning after 5 April 2019);
- (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 2018. The Company has complied with all tests and continues to do so.

'Qualifying holdings' include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. Eligible shares must comprise at least 10 per cent. by HMRC value of the total of the shares and securities that the Company holds in any one portfolio company. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking and agriculture. Details of the sectors in which the Company is invested can be found in the pie chart on page 9.

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

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

### Environment

The management and administration of the Company is undertaken by the Manager, Albion Capital Group LLP. 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 15.

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

## 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 39.

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

Patrick Reeve, as managing partner 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 him/her in relation to the performance of his/her duties as a Director of the Company. A copy of each Deed of Indemnity entered into by the Company for each Director is available at the registered office of the Company.

## Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the UK Corporate Governance Code. At the forthcoming Annual General Meeting, Dr. Neil Cross, having served as a Director for longer than nine years, will retire and offer himself for re-election. Patrick Reeve is not considered to be independent, as he is the managing partner of the Manager, Albion Capital Group LLP, and will therefore also retire and offer himself for re-election at the forthcoming Annual General Meeting. The Articles of Association require that all Directors will submit themselves for re-election at least once every three years, therefore in accordance with the Articles, Robin Archibald will resign and offer himself for re-election. The Board will consider the proposals of the new AIC Code for annual re-election of all Directors for the business of the 2020 Annual General Meeting.

## Advising Ordinary Retail Investors

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

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

Investors should be aware that the PRIIPs Regulation requires the Manager, as PRIIP manufacturer, to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's webpage on the Manager's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns 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 Manager has a Remuneration Committee (comprised of four partners) which decides upon the remuneration of partners and staff, taking into account the performance of the Manager generally as well as individual performance.

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

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

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

## **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.

## **Annual General Meeting**

The Annual General Meeting will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS at 11.00 am on 4 June 2019. The notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against', and 'withheld'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution. Summary of proxies lodged at the Annual General Meeting will be published at [www.albion.capital/funds/AATG](http://www.albion.capital/funds/AATG) under the "Financial Reports and Circulars section".

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

## **Authority to allot shares**

Ordinary resolution number 8 will request the authority to allot up to an aggregate nominal amount of £237,423 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 15,518,470 treasury shares representing 13.1 per cent. of the total Ordinary share capital in issue as at 31 December 2018.

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

## Disapplication of pre-emptive rights

Special resolution number 9 will request the authority for the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum aggregate of £237,423 of the nominal value of the share capital representing approximately 20 per cent. of the issued Ordinary share capital of the Company as at the date of this Report.

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

## Purchase of own shares

Special resolution number 10 will request the authority to purchase a maximum of 17,794,867 Ordinary shares, or, if lower, such number of shares as shall equal 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in resolution number 10. Shares bought back under this authority may be cancelled or held in treasury.

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

This resolution would renew the 2018 authority, which was on similar terms. During the financial year under review, the Company purchased 2,250,400 Ordinary shares to be held in treasury, at an aggregate consideration of £1,570,000, including stamp duty, representing 1.9 per cent. of called up share capital.

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

## Treasury shares

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

Special resolution number 11 will request the authority to permit Directors to sell treasury shares at the higher of the prevailing current share price and the price bought in at.

## 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 he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

By Order of the Board

## Albion Capital Group LLP

Company Secretary

1 King's Arms Yard  
London, EC2R 7AF  
22 March 2019

# Statement of Directors' responsibilities

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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](http://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

22 March 2019

# Statement of corporate governance

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## 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 2016.

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

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

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

## Application of the Principles of the Code

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

## Board of Directors

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

Dr. Neil Cross is the Chairman, and he, 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 managing partner of Albion Capital Group LLP, the Manager.

Dr. Neil Cross has been Director of the Company for more than nine years and, in accordance with the recommendations of the AIC code, is subject to annual re-election. The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director’s length of service reduces his or her ability to act independently of the Manager. Patrick Reeve is also subject to annual re-election, as he is not considered to be an independent Director.

The Articles of Association require that all Directors will submit themselves for re-election at least once every three years, therefore in accordance with the Articles, Robin Archibald will resign and offer himself for re-election.

The Board does not believe that it is necessary to appoint a Senior Independent Director as the Board is comprised solely of non-executive Directors. As per the recommendation in the AIC Code, this role is fulfilled, as appropriate, by the Chairman of the Audit Committee.

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

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender, experience and balance of skills. Further details on the recruitment of new Directors can be found in the Nomination Committee section on page 36.

The Board met four times during 2018 as part of its regular programme of quarterly Board meetings. All of the 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. Following the year end, 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.

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.

# Statement of corporate governance continued

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

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

It is the responsibility of the Board to present an Annual Report that is fair, balanced and understandable, which provides the information necessary for shareholders to assess the 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 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 Board also undertakes a proper and thorough evaluation of its Committees on an annual basis.

In light of the structured performance evaluation, Dr. Neil Cross, Patrick Reeve and Robin Archibald, all of whom are subject to re-election at the forthcoming Annual General Meeting, are considered to be effective Directors who demonstrate strong commitment to the role, and the Board believes it to be in the best interest of the Company to appoint these Directors at the forthcoming Annual General Meeting.

## **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 fully attended by all the members of the Committee.

The terms of reference for the Remuneration Committee can be found on the Company's webpage on the Manager's website at [www.albion.capital/funds/AATG](http://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 Code, all members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2018; 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](http://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;

# Statement of corporate governance continued

- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the external Auditor and reviewing their findings;
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board;
- highlighting the key risks and specific issues relating to the Financial Statements including the reasonableness of valuations, compliance with accounting standards and UK law, corporate governance and listing and disclosure rules as well as going concern. These issues were addressed through detailed review, discussion and challenge by the Board of these matters, as well as by reference to underlying technical information;
- advising the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- reporting to the Board on how it has discharged its responsibilities.

## Financial Statements

The Audit Committee has initial responsibility for reviewing the Financial Statements and reporting on any significant issues that arise in relation to the audit of the Financial Statements as outlined below. 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 and of the level of non-audit fees earned by them and their affiliates. No non-audit services were provided during the financial year ended 31 December 2018.

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 2018, and assessments made by individual Directors.

In 2017, the Audit Committee undertook a tendering exercise for provision of audit services. As a result of this process, BDO LLP was retained as Auditor. BDO first acted as Auditor for the year ended 31 December 2008 and this will be year 11 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 match all the relevant and appropriate criteria.

# Statement of corporate governance continued

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 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 Nomination Committee held one formal meeting during the year, which was fully attended by all members of the Committee.

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](http://www.albion.capital/funds/AATG) under the Corporate Governance section.

## **Internal control**

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

# Statement of corporate governance continued

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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 27, 30 and 31 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**

The Company's Annual General Meeting on 4 June 2019 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

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

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

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

## **Statement of compliance**

The Directors consider that, with the exception of the requirement for the appointment of a Chief Executive Officer and Senior Independent Director, the Company has complied throughout the year ended 31 December 2018 with all the relevant provisions set out in the Code issued in 2016 and with the AIC Code of Corporate Governance.

For and on behalf of the Board

**Dr. N E Cross**

Chairman

22 March 2019

# Directors' remuneration report

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## Introduction

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

An ordinary resolution will be proposed at the Annual General Meeting of the Company to be held on 4 June 2019 for the approval of the Annual Remuneration Report as set out below. The current Remuneration Policy was approved by shareholders (89.2 per cent. of shareholders voted for the resolution, 10.8 per cent. against the resolution, and of the total votes cast, 225,326 votes (being 0.2% of voting rights) were withheld) at the Annual General Meeting held on 7 June 2017, and it will remain in place for a three year period.

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

## Annual statement from the Chairman of the Remuneration Committee

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

The Remuneration Committee met once during the year to review Directors' responsibilities and fees against the Company's situation and the market more generally, and concluded that the current level of remuneration, which had been in place since 2016, should remain unchanged at that time. However, the Board remuneration level is lower than for other investment companies, particularly taking account of the level of engagement and work involved on an investment company of this type, which is regularly issuing and buying back shares and has been subject to regulatory and strategic changes. Consequently, remuneration levels have been reviewed taking these factors into account.

## Directors' remuneration policy

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

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

None of the Directors have a service contract with the Company, and as such there is no policy on termination payments. There is no notice period and no payments for loss of office were made during the 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, 93.0 per cent. of shareholders voted for the resolution approving the Directors' remuneration report, 7.0 per cent. against the resolution and of the total votes cast, 212,627 (being 0.2% of 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 report continued

## 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 2018 £'000	31 December 2017 £'000
Dr. Neil Cross	25.0	25.0
Robin Archibald	24.0	24.0
Modwenna Rees-Mogg	22.0	22.0
Mary Anne Cordeiro	22.0	22.0
Patrick Reeve	–	–
	<b>93.0</b>	<b>93.0</b>

Directors' remuneration for the year ending 31 December 2019, excluding any special payments, is expected to be £96,500. From 1 July 2019, Directors fees will be increased to £27,500 for the Chairman, £25,500 for the Audit Chairman and £23,500 for the other non-executive Directors. Patrick Reeve has agreed to continue to waive his fees. Robin Archibald will receive a special payment of £3,000 in recognition of additional work undertaken, particularly in a year of exceptional regulatory change.

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

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

In addition to Directors' remuneration, the Company paid an annual premium in respect of Directors' & Officers' Liability Insurance of £11,900 (2017: £11,866).

## 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 2018	Shares held on 31 December 2017
Dr. Neil Cross	177,790	177,790
Robin Archibald	27,479	27,479
Modwenna Rees-Mogg	3,504	3,504
Mary Anne Cordeiro	5,542	5,123
Patrick Reeve	635,429	625,218

There have been no changes in the holdings of the Directors between 31 December 2018 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 991,925 shares in the Company.

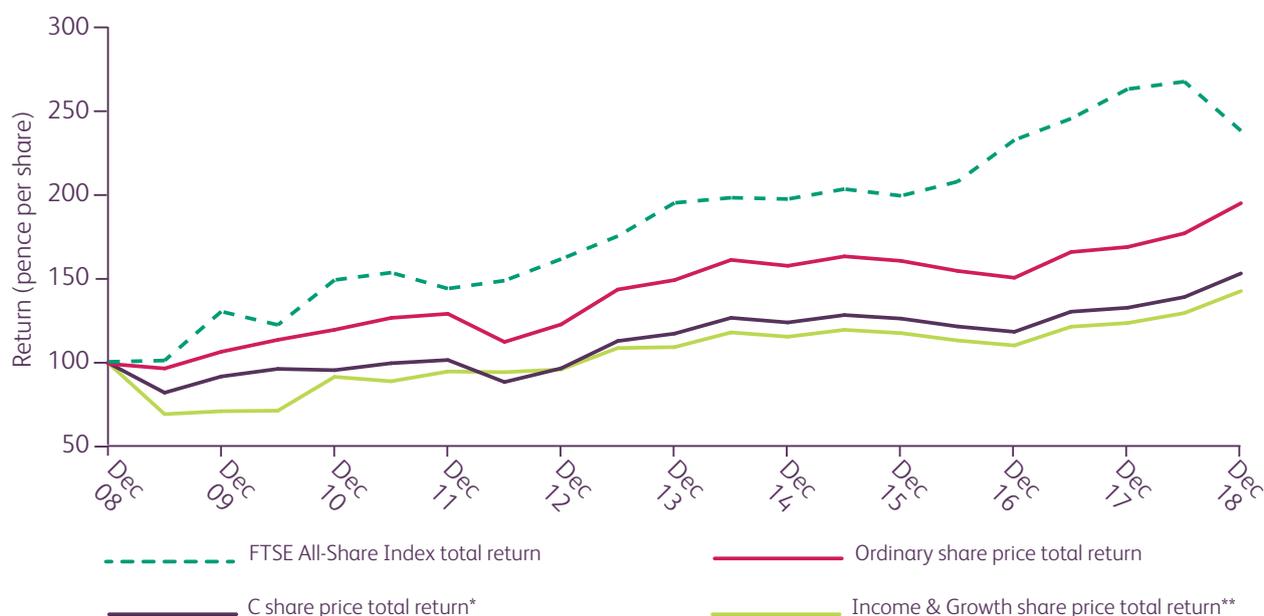
## Performance graph

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 2009. 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.

# Directors' remuneration report continued

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



Source: Albion Capital Group LLP

Methodology: The share price return to the shareholder, including original amount invested (rebased to 100) from 1 January 2009, 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

	2018 £'000	2017 £'000	Percentage change
Total dividend distribution to shareholders	4,136	3,891	6.3%
Share buybacks	1,570	1,719	(8.7%)
Total Directors fees	93	93	–

For and on behalf of the Board

**Dr N E Cross**

Director

22 March 2019

# 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 2018 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

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

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

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
<p><b>Valuation of investments (Note 2 and 11 to the financial statements)</b></p> <p>There is a high level of estimation uncertainty involved in determining the unquoted investment valuations.</p> <p>The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 5.</p> <p>As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations. The existence of an expense cap in the management agreement enhances this risk.</p>	<p>We tested a sample of 76% of the unquoted investment portfolio by value of investment holdings.</p> <p>We performed preliminary analytical procedures to determine our investment sample and the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement.</p> <p>40% of the unquoted portfolio is based on valuations using net assets, cost (where the investment was recently acquired), the price of a recent transaction, or an offer to acquire the investee company. For such investments, we checked the cost, recent investment price, 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 2018.</p> <p>The remaining 60% of the unquoted investment portfolio is valued with reference to more subjective techniques with 46% supported by a valuation performed by a third party expert (22% based on discounted cash flows and 24% using earnings multiples). The remaining 14% of the portfolio is valued using multiples of revenue or earnings, as described in note 11.</p> <p>Our detailed testing for such investments, performed on all investments within our sample comprised:</p> <ul style="list-style-type: none"> <li>• Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines obtaining management explanations</li> <li>• Re-performing the calculation of the multiples-based investment valuations</li> <li>• Where a valuation has been performed by a third party management's expert, we assessed the competence and capabilities of that expert, the quality of their work and their qualifications, as well as challenging the basis of inputs and assumptions used by the expert via consultation with our internal valuations specialists (i.e. discount rates and earnings multiples). We also considered any updates for subsequent information to the valuation made by the investment manager and obtained appropriate evidence for those changes</li> <li>• Benchmarking key inputs and estimates to independent information and our own research</li> <li>• Challenging the assumptions inherent in the valuation of unquoted investments and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements</li> <li>• Considering the economic environment in which the investment operates to identify factors that could impact the investment valuation</li> <li>• Developing our own point estimates where alternative assumptions could reasonably be applied and considering the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.</li> </ul> <p>For investments not included in our detailed testing, we performed the following procedures where relevant:</p> <ul style="list-style-type: none"> <li>• Considered whether the valuation had been prepared by a suitably qualified individual</li> <li>• Considered whether a valid IPEV methodology had been adopted</li> <li>• Considered whether the valuation used up to date trading information</li> </ul>

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

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

## Our application of materiality

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

We determined final materiality for the financial statements as a whole to be £1,414,000 based on 2% of the value of investments. On the basis of our risk assessment, together with our assessment of the control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, namely £1,060,500. Our objective in adopting this approach was to ensure that total detected and undetected audit differences do not exceed our final materiality of £1,414,000 for the financial statements as a whole.

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

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (2% of investments)	Assessing whether the financial statements as a whole present a true and fair view.	<ul style="list-style-type: none"> <li>The value of non-current investments</li> <li>The level of judgement inherent in the valuation</li> <li>The range of reasonable alternative valuations</li> </ul>	£1,414,000 (2017: £1,250,000)
Performance 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.	<ul style="list-style-type: none"> <li>Financial statement materiality</li> <li>Risk and control environment</li> </ul>	£1,060,500 (2017: £937,000)
Specific materiality – classes of transactions and balances which impact on revenue (10% of revenue)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> <li>Level of revenue</li> </ul>	£118,000 (2017: £195,000 based on level of net income return)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £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, the key functions undertaken by the Board 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.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

## **Other matters which we are required to address**

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 December 2008 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 31 December 2018 by the Board. The period of total uninterrupted engagement is 11 years, covering the years ending 31 December 2008 to 31 December 2018.

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.

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

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## **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

22 March 2019

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

# Income statement

	Note	Year ended 31 December 2018			Year ended 31 December 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	10,709	10,709	–	5,145	5,145
Investment income	4	1,184	–	1,184	995	–	995
Investment management fees	5	(460)	(1,379)	(1,839)	(410)	(1,231)	(1,641)
Other expenses	6	(295)	–	(295)	(308)	–	(308)
<b>Profit on ordinary activities before tax</b>		<b>429</b>	<b>9,330</b>	<b>9,759</b>	<b>277</b>	<b>3,914</b>	<b>4,191</b>
Tax (charge)/credit on ordinary activities	8	(59)	59	–	(44)	44	–
<b>Profit and total comprehensive income attributable to shareholders</b>		<b>370</b>	<b>9,389</b>	<b>9,759</b>	<b>233</b>	<b>3,958</b>	<b>4,191</b>
<b>Basic and diluted return per share (pence)*</b>	10	<b>0.4</b>	<b>9.1</b>	<b>9.5</b>	0.2	4.1	4.3

\* excluding treasury shares.

The accompanying notes on pages 51 to 64 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 2018 £'000	31 December 2017 £'000
<b>Fixed asset investments</b>	11	70,737	60,724
<b>Current assets</b>			
Current asset investments	13	1,921	1,372
Trade and other receivables less than one year	13	664	930
Cash and cash equivalents		7,142	10,154
		9,727	12,456
<b>Total assets</b>		80,464	73,180
<b>Payables: amounts falling due within one year</b>			
Trade and other payables less than one year	14	(567)	(532)
<b>Total assets less current liabilities</b>		79,897	72,648
<b>Equity attributable to equity holders</b>			
Called up share capital	15	1,187	1,143
Share premium		26,621	23,469
Capital redemption reserve		28	28
Unrealised capital reserve		16,697	9,692
Realised capital reserve		10,933	8,549
Other distributable reserve		24,431	29,767
<b>Total equity shareholders' funds</b>		79,897	72,648
<b>Basic and diluted net asset value per share (pence)*</b>	16	77.4	71.9

\* excluding treasury shares.

The accompanying notes on pages 51 to 64 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and were authorised for issue on 22 March 2019 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
<b>As at 1 January 2018</b>	<b>1,143</b>	<b>23,469</b>	<b>28</b>	<b>9,692</b>	<b>8,549</b>	<b>29,767</b>	<b>72,648</b>
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)
<b>As at 31 December 2018</b>	<b>1,187</b>	<b>26,621</b>	<b>28</b>	<b>16,697</b>	<b>10,933</b>	<b>24,431</b>	<b>79,897</b>
<b>As at 1 January 2017</b>	<b>1,007</b>	<b>46,585</b>	<b>28</b>	<b>4,625</b>	<b>9,658</b>	<b>2,523</b>	<b>64,426</b>
Return/(loss) and total comprehensive income for the year	–	–	–	4,750	(792)	233	4,191
Transfer of previously unrealised losses on disposal of investments	–	–	–	317	(317)	–	–
Purchase of shares for treasury	–	–	–	–	–	(1,719)	(1,719)
Issue of equity	136	9,750	–	–	–	–	9,886
Cost of issue of equity	–	(245)	–	–	–	–	(245)
Cancellation of Share premium**	–	(32,621)	–	–	–	32,621	–
Dividends paid	–	–	–	–	–	(3,891)	(3,891)
<b>As at 31 December 2017</b>	<b>1,143</b>	<b>23,469</b>	<b>28</b>	<b>9,692</b>	<b>8,549</b>	<b>29,767</b>	<b>72,648</b>

\* These reserves amount to £35,364,000 (2017: £38,316,000) which is considered distributable.

\*\* In the year to 31 December 2017, following approval by shareholders and the High Court, an amount of £32,620,666 was reclassified to the other distributable reserve.

# Statement of cash flows

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
<b>Cash flow from operating activities</b>		
Loan stock income received	1,098	921
Dividend income received	119	74
Deposit interest received	25	7
Investment management fees paid	(1,803)	(1,569)
Other cash payments	(293)	(295)
Corporation tax received	–	1
<b>Net cash flow from operating activities</b>	<b>(854)</b>	<b>(861)</b>
<b>Cash flow from investing activities</b>		
Purchase of current asset investments	(910)	(1,350)
Purchase of fixed asset investments	(4,354)	(6,623)
Disposal of fixed asset investments	5,621	8,202
<b>Net cash flow from investing activities</b>	<b>357</b>	<b>229</b>
<b>Cash flow from financing activities</b>		
Issue of ordinary share capital	2,606	9,072
Cost of issue of equity	(15)	(3)
Dividends paid	(3,536)	(3,318)
Purchase of own shares (including costs)	(1,570)	(1,717)
<b>Net cash flow from financing activities</b>	<b>(2,515)</b>	<b>4,034</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(3,012)</b>	<b>3,402</b>
Cash and cash equivalents at start of period	10,154	6,752
<b>Cash and cash equivalents at end of period</b>	<b>7,142</b>	<b>10,154</b>
<b>Cash and cash equivalents comprise</b>		
Cash at bank and in hand	7,142	10,154
Cash equivalents	–	–
<b>Total cash and cash equivalents</b>	<b>7,142</b>	<b>10,154</b>

# 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 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, including liquid open-ended equity funds, 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, the level of third party offers received, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate a diminution include:
  - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
  - a significant adverse change either in the portfolio company’s business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
  - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

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

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

## Investment income

### *Equity income*

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

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

Fixed returns on non-equity shares and debt securities are recognised when the Company's right to receive payment and 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.

# Notes to the Financial Statements continued

## 3. Gains on investments

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Unrealised gains on fixed asset investments	9,271	4,728
Unrealised (losses)/gains on current asset investments	(361)	22
Realised gains on fixed asset investments	1,799	395
	<b>10,709</b>	<b>5,145</b>

## 4. Investment income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loan stock interest and other fixed returns	1,039	915
UK dividend income	119	74
Bank deposit interest	26	6
	<b>1,184</b>	<b>995</b>

Interest income earned on investments valued below cost at 31 December 2018 amounted to £8,000 (2017: £3,000).

## 5. Investment management fees

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Investment management fee charged to revenue	460	410
Investment management fee charged to capital	1,379	1,231
	<b>1,839</b>	<b>1,641</b>

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

During the year, services of a total value of £1,839,000 (2017: £1,641,000) 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 £482,000 (2017: £446,000). 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 (2017: £137,000).

During the year, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (2017: nil).

Albion Capital Group LLP, its partners and staff (including Patrick Reeve) hold 991,925 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 2018, fees of £214,000 attributable to the investments of the Company were received by Albion Capital Group LLP pursuant to these arrangements (2017: £305,000).

During the period, an amount of £910,000 (2017: £1,350,000) was invested in 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 £15,000 (2017: £3,000).

# Notes to the Financial Statements continued

## 6. Other expenses

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Directors' fees (including NIC)	101	101
Auditor's remuneration for statutory audit services (excluding VAT)	28	28
Tax services	21	17
Other administrative expenses	145	162
	295	308

## 7. Directors' fees

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Directors' fees	93	93
National insurance	8	8
	101	101

The Company's key management personnel are the Directors. Further information regarding Directors' remuneration can be found in the Directors' remuneration report on pages 38 to 40.

## 8. Tax on ordinary activities

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
UK corporation tax charge payable	-	-

### Factors affecting the tax charge:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Return on ordinary activities before taxation	9,759	4,191
Tax charge on profit at the average companies rate of 19.00% (2017: 19.25%)	1,854	807
<b>Factors affecting the charge:</b>		
Non-taxable gains	(2,035)	(990)
Income not taxable	(23)	(14)
Non-deductible expenses	-	5
Excess management expenses carried forward	204	192
	-	-

# Notes to the Financial Statements continued

## 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. (2017: 19.25 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 £2,348,000 (2017: £1,268,000) that are available for offset against future profits. A deferred tax asset of £446,000 (2017: £216,000) 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 2018 £'000	Year ended 31 December 2017 £'000
Dividend of 1p per share paid on 31 January 2017	–	900
Dividend of 1p per share paid on 30 June 2017	–	978
Dividend of 2p per share paid on 29 December 2017	–	2,013
Dividend of 2p per share paid on 29 June 2018	2,081	–
Dividend of 2p per share paid on 31 December 2018	2,055	–
	<b>4,136</b>	<b>3,891</b>

In addition to the dividends summarised above, the Board has declared a first dividend for the year ending 31 December 2019 of 2 pence per share. The dividend will be paid on 28 June 2019 to shareholders on the register on 7 June 2019. The total dividend will be approximately £2,064,000. All dividends are paid out of the other distributable reserve as shown on the Balance sheet.

## 10. Basic and diluted return per share

	Year ended 31 December 2018			Year ended 31 December 2017		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit attributable to equity shares (£'000)	370	9,389	9,759	233	3,958	4,191
Weighted average shares in issue (excluding treasury shares)		103,202,241			96,895,249	
Return attributable per equity share (pence)	0.4	9.1	9.5	0.2	4.1	4.3

The weighted average number of shares is calculated excluding treasury shares of 15,518,470 (2017: 13,268,070).

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

# Notes to the Financial Statements continued

## 11. Fixed asset investments

	31 December 2018 £'000	31 December 2017 £'000
<b>Investments held at fair value through profit or loss</b>		
Unquoted equity and preference shares	43,611	32,338
Quoted equity	799	1,106
Unquoted loan stock	26,327	27,280
	<b>70,737</b>	<b>60,724</b>
	<b>31 December 2018 £'000</b>	<b>31 December 2017 £'000</b>
<b>Opening valuation</b>	<b>60,724</b>	<b>57,021</b>
Purchases at cost	5,211	7,861
Disposal proceeds	(6,206)	(9,265)
Realised gains	1,799	395
Movement in loan stock accrued income	(62)	(16)
Unrealised gains	9,271	4,728
<b>Closing valuation</b>	<b>70,737</b>	<b>60,724</b>
<b>Movement in loan stock accrued income</b>		
Opening accumulated movement in loan stock accrued income	405	421
Movement in loan stock accrued income	(62)	(16)
<b>Closing accumulated movement in loan stock accrued income</b>	<b>343</b>	<b>405</b>
<b>Movement in unrealised gains</b>		
Opening accumulated unrealised gains	9,622	4,577
Transfer of previously unrealised (gains)/losses to realised reserve on disposal of investments	(1,905)	317
Movement in unrealised gains	9,271	4,728
<b>Closing accumulated unrealised gains</b>	<b>16,988</b>	<b>9,622</b>
<b>Historic cost basis</b>		
Opening book cost	50,697	52,023
Purchases at cost	5,211	7,861
Sales at cost	(2,502)	(9,187)
<b>Closing book cost</b>	<b>53,406</b>	<b>50,697</b>

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

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

# Notes to the Financial Statements continued

## 11. Fixed asset investments (continued)

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

Valuation methodology	31 December 2018 £'000	31 December 2017 £'000
Cost and price of recent investment (reviewed for impairment or uplift)	24,948	13,841
Third party valuation – earnings multiple	16,707	15,380
Third party valuation – discounted cash flow	10,654	11,891
Revenue multiple	7,543	10,403
Net assets	5,487	5,485
Contracted sale price	2,482	–
Earnings multiple	2,117	2,618
	<b>69,938</b>	<b>59,618</b>

Where the cost or price of recent investment has been used the valuer has assessed whether changes or events subsequent to the relevant transaction would imply a change in the investment's fair value.

Fair value investments had the following movements between valuation methodologies between 31 December 2017 and 31 December 2018:

Change in valuation methodology (2017 to 2018)	31 December 2018 £'000	Explanatory note
Revenue multiple to price of recent investment	3,356	Recent external funding round
Third party valuation – discounted cash flow to contracted sale price	2,482	Third party offer accepted
Cost to earnings multiple	663	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 possible methods of valuation which would be reasonable as at 31 December 2018.

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

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 2018 £'000	31 December 2017 £'000
Opening balance	59,618	55,171
Purchases at cost	5,211	7,861
Disposals proceeds	(6,206)	(9,265)
Movement in loan stock accrued income	(62)	(16)
Realised gains	1,799	395
Unrealised gains	9,578	5,472
<b>Closing balance</b>	<b>69,938</b>	<b>59,618</b>

# Notes to the Financial Statements continued

## 11. Fixed asset investments (continued)

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. 67 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 £1,389,000 or a decrease in the valuation of investments by £1,360,000. 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 2018 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	EC2R 7AF, UK	n/α*	(762)	31 December 2017	31.8% A Ordinary	31.8%
Bravo Inns Limited	WA4 1AG, UK	n/α*	(785)	31 March 2018	28.8% Ordinary	28.8%
MHS 1 Limited	EC2R 7AF, UK	n/α*	(3,916)	31 March 2017	22.5% Ordinary	22.5%
memsstar Limited	EH3 9EP, UK	847	1,523	31 December 2017	67.3% A Ordinary	30.1%
Premier Leisure (Suffolk) Limited	EC2R 7AF, UK	n/α*	(1,484)	30 June 2017	25.8% Ordinary	25.8%
The Q Garden Company Limited	EC2R 7AF, UK	n/α*	(4,595)	31 August 2017	33.4% A Ordinary	33.4%
TWCL Limited	EC2R 7AF, UK	n/α*	(3,454)	30 September 2017	25.2% Ordinary	25.2%

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

## 13. Current assets

Current asset investments	31 December 2018 £'000	31 December 2017 £'000
SVS Albion OLIM UK Equity Income Fund	1,921	1,372

Current asset investments at 31 December 2018 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 2018 £'000	31 December 2017 £'000
Prepayments and accrued income	19	20
Other receivables	5	2
Deferred consideration	640	908
	<b>664</b>	<b>930</b>

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

# Notes to the Financial Statements continued

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

	31 December 2018 £'000	31 December 2017 £'000
Trade payables	6	5
Accruals and deferred income	561	527
	<b>567</b>	<b>532</b>

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

## 15. Called up share capital

	£'000
<b>Allotted, called up and fully paid</b>	
114,269,311 Ordinary shares of 1 penny each at 31 December 2017	1,143
4,442,278 Ordinary shares of 1 penny each issued during the year	44
<b>118,711,589 Ordinary shares of 1 penny each at 31 December 2018</b>	<b>1,187</b>
13,268,070 Ordinary shares of 1 penny each held in treasury at 31 December 2017	(133)
2,250,400 Ordinary shares purchased during the year to be held in treasury	(23)
<b>15,518,470 Ordinary shares of 1 penny each held in treasury at 31 December 2018</b>	<b>(155)</b>
<b>103,193,119 Ordinary shares of 1 penny each in circulation* at 31 December 2018</b>	<b>1,032</b>

\* Carrying one vote each

The Company purchased 2,250,400 Ordinary shares (2017: 2,563,000) to be held in treasury at a cost of £1,570,000 including stamp duty (2017: £1,719,000) during the period to 31 December 2018. Total share buy backs in 2018 represents 1.9 per cent. (2017: 2.5 per cent.) of called-up share capital.

The Company holds a total of 15,518,470 shares (2017: 13,268,070) in treasury representing 13.1 per cent. (2017: 11.6 per cent.) of the issued Ordinary share capital at 31 December 2018.

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)
29 June 2018	424,973	4	72.7	296	69.00
31 December 2018	391,272	4	75.9	294	74.00
	<b>816,245</b>	<b>8</b>		<b>590</b>	

# Notes to the Financial Statements continued

## 15. Called up share capital (continued)

During the period to 31 December 2018, the Company issued the following new Ordinary shares of nominal value 1 penny each under the Albion VCTs Prospectus Top Up Offers 2017/18:

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)
31 January 2018	1,815,597	18	73.6	1,303	67.25
5 April 2018	1,541,406	15	73.8	1,109	65.00
11 April 2018	83,144	1	73.0	60	65.00
11 April 2018	7,901	–	73.4	6	65.00
11 April 2018	177,985	2	73.8	128	65.00
	<b>3,626,033</b>	<b>36</b>		<b>2,606</b>	

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

	31 December 2018 (pence per share)	31 December 2017 (pence per share)
Basic and diluted net asset value per Ordinary share	<b>77.4</b>	71.9

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 103,193,119 at 31 December 2018 (2017: 101,001,241).

## 17. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes and this is described in more detail on page 7 of the Chairman's statement.

The Company's financial instruments comprise equity and loan stock investments in 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.

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.

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

### **Investment risk**

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in quoted and unquoted investments, details of which are shown on pages 18 to 20. 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 £72,658,000 (2017: £62,096,000). Fixed and current asset investments form 91 per cent. of the net asset value as at 31 December 2018 (2017: 85 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 18 to 20 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 £7,266,000 (2017: £6,210,000).

# Notes to the Financial Statements continued

## 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 is estimated that a rise of 1% in all interest rates would have increased total return before tax for the year by approximately £93,000 (2017: £97,000). Furthermore, it is considered that a fall of interest rates below current levels during the year would have been very unlikely.

The weighted average effective interest rate applied to the Company's unquoted loan stock during the year was approximately 4.2 per cent. (2017: 3.6 per cent.). The weighted average period to maturity for the unquoted loan stock is approximately 2.7 years (2017: 3.3 years).

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

	31 December 2018				31 December 2017			
	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	-	-	43,611	43,611	-	-	32,338	32,338
Quoted equity	-	-	799	799	-	-	1,106	1,106
Unquoted loan stock	25,594	-	733	26,327	25,948	-	1,332	27,280
Current asset investments	-	-	1,921	1,921	-	-	1,372	1,372
Receivables*	-	-	646	646	-	-	911	911
Current liabilities	-	-	(567)	(567)	-	-	(532)	(532)
Cash	-	7,142	-	7,142	-	10,154	-	10,154
<b>Total</b>	<b>25,594</b>	<b>7,142</b>	<b>47,143</b>	<b>79,879</b>	<b>25,948</b>	<b>10,154</b>	<b>36,527</b>	<b>72,629</b>

\*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 98.8 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 2018 was limited to £26,327,000 (2017: £27,280,000) of unquoted loan stock instruments, £7,142,000 (2017: £10,154,000) cash deposits with banks and £664,000 (2017: £930,000) of other receivables.

As at the Balance sheet date, the cash held by the Company is 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 is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, with high credit ratings assigned by international credit-rating agencies.

# Notes to the Financial Statements continued

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

The 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 £7,783,000 as at 31 December 2018 (2017: £7,059,000).

The Company has no committed borrowing facilities as at 31 December 2018 (2017: £nil). The Company had cash balances of £7,142,000 (2017: £10,154,000). 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 £567,000 as at 31 December 2018 (2017: £532,000).

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

Redemption date	31 December 2018				31 December 2017			
	Fully performing	Valued below cost	Past due	Total	Fully performing	Valued below cost	Past due	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	6,273	6,443	1,654	14,370	5,621	6,596	1,886	14,103
1-2 years	2,887	–	545	3,432	196	26	845	1,067
2-3 years	684	76	883	1,643	2,869	–	528	3,397
3-5 years	3,046	159	–	3,205	3,762	–	800	4,562
5+ years	3,256	–	421	3,677	3,237	–	914	4,151
<b>Total</b>	<b>16,146</b>	<b>6,678</b>	<b>3,503</b>	<b>26,327</b>	<b>15,685</b>	<b>6,622</b>	<b>4,973</b>	<b>27,280</b>

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 £7,284,000 (2017: £6,840,000).

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 2018 are stated at fair value as determined by the Directors, with the exception of receivables and payables and cash which are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than payables. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year.

## 18. Commitments and contingencies

The Company had no financial commitments in respect of investments at 31 December 2018 (2017: nil).

There were no contingent liabilities or guarantees given by the Company as at 31 December 2018 (2017: nil).

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

Since 31 December 2018 the Company has had the following post balance sheet events:

- Investment of £400,000 in a new portfolio company, Avora Limited;
- Investment of £200,000 in an existing portfolio company, Beddlestead Limited;
- Investment of £121,000 in an existing portfolio company, Mirada Medical Limited; and
- Investment of £104,000 in an existing portfolio company, Convertr Media Limited.

On 7 January 2019 the Company announced the publication of a prospectus in relation to an offer for subscription for new Ordinary shares. A Securities Note, which forms part of the Prospectus, has been sent to shareholders. The first allotment is expected on 1 April 2019.

## **20. Related party transactions**

During the year, a total of £910,000 (2017: £1,350,000) was invested into the SVS Albion OLIM UK Equity Income Fund ("OUEIF"), a fund managed by OLIM Limited which is part of the Albion Group.

Albion agreed to reduce that proportion of 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 reduction of the management fee of £15,000 (2017: £3,000).

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

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**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Albion Technology & General VCT PLC (the “Company”) will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 4 June 2019 at 11.00am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 8 will be proposed as ordinary resolutions and numbers 9 to 11 as special resolutions.

## **Ordinary Business**

1. To receive and adopt the Company’s accounts for the year ended 31 December 2018 together with the Strategic report and the reports of the Directors and Auditor.
2. To approve the Directors’ remuneration report for the year ended 31 December 2018.
3. To re-elect Dr. Neil Cross as a Director of the Company.
4. To re-elect Patrick Reeve as a Director of the Company.
5. To re-elect Robin Archibald as a Director of the Company.
6. 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.
7. To authorise the Directors to agree the Auditor’s remuneration.

## **Special Business**

### **8. Authority to allot shares**

That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) to allot Ordinary shares of nominal value 1 penny per share in the Company up to an aggregate nominal amount of £237,423 provided that this authority 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 but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

### **9. Authority for the disapplication of pre-emptive rights**

That, subject to the authority and conditional on the passing of resolution number 8, the Directors be empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 8 and/or 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.

### **10. Authority to purchase own shares**

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

- (a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 17,794,867 shares, or, if lower, such number of Ordinary shares as shall equal 14.99 per cent. of the issued Ordinary share capital of the Company as at the date of the passing of this resolution (excluding any Ordinary shares held in treasury);
- (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;

# Notice of Annual General Meeting continued

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- (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.

**11. Authority to sell treasury shares**

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

By Order of the Board

**Albion Capital Group LLP**

Company Secretary

Registered office

1 King's Arms Yard

London, EC2R 7AF

22 March 2019

Albion Technology & General VCT PLC is registered in England and Wales with number 04114310

# Notice of Annual General Meeting continued

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## 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](http://www.investorcentre.co.uk/eproxy) and following the instructions provided there; or
  - by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members).

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

To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 11.00am on 31 May 2019.

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 11.00am on 31 May 2019 (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](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent by 11.00am on 31 May 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and 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.

# Notice of Annual General Meeting continued

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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](http://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 2019 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 118,711,589 Ordinary shares with a nominal value of 1 penny each. The Company also holds 15,518,470 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 20 March 2019 are 103,193,119.





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The Association of  
Investment Companies

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of Investment Companies



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