

Annual Report and Financial
Statements for the year
ended 31 March 2009



Albion Enterprise VCT PLC
(formerly Close Enterprise VCT PLC)

ALBIONVENTURES

Company Information

Company number	05990732
Directors	M Packe, Chairman Lady Balfour of Burleigh Lord St. John of Bletso P H Reeve
Company secretary and registered office	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Manager	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF Tel: 020 7601 1850 Fax: 020 7601 1875 Website: www.albion-ventures.co.uk
Registrar	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA
Custodian	Capita Trust Company Limited Phoenix House 7th Floor 18 King William Street London, EC4N 7HE
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RH
Legal advisers	Berwin Leighton Paisner LLP Adelaide House London Bridge London, EC4R 9HA

Albion Enterprise VCT PLC is a member of the Association of Investment Companies.

Shareholder information	For help relating to dividend payments, shareholdings and share certificates, please contact Capita Registrars Limited: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras) Email: ssd@capitaregistrars.com Website: www.capitaregistrars.com For enquiries relating to the performance of the Fund please contact Albion Ventures LLP: Tel: 020 7601 1850 Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk
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IFA information	Independent Financial Advisors with questions please contact Albion Ventures LLP: Tel: 08442 579 722 (calls cost 4p per minute plus network extras) Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk
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Contents

Page

1	Company Information
3	Financial Highlights
5	Investment Objectives and Financial Calendar
6	Chairman's Statement
8	Manager's Report
9	The Board of Directors
10	The Manager
11	Portfolio of Investments
13	Portfolio Companies
18	Directors' Report and Enhanced Business Review
26	Statement of Corporate Governance
30	Directors' Remuneration Report
31	Independent Auditors' Report
32	Income Statement
33	Balance Sheet
34	Reconciliation of Movement in Shareholders' Funds
36	Cash Flow Statement
37	Notes to the Financial Statements
50	Notice of Meeting

Financial Highlights

91.2p

Net asset value total return, comprising net asset value as at 31 March 2009 and dividends paid to that date

88.8p

Net asset value per share as at 31 March 2009

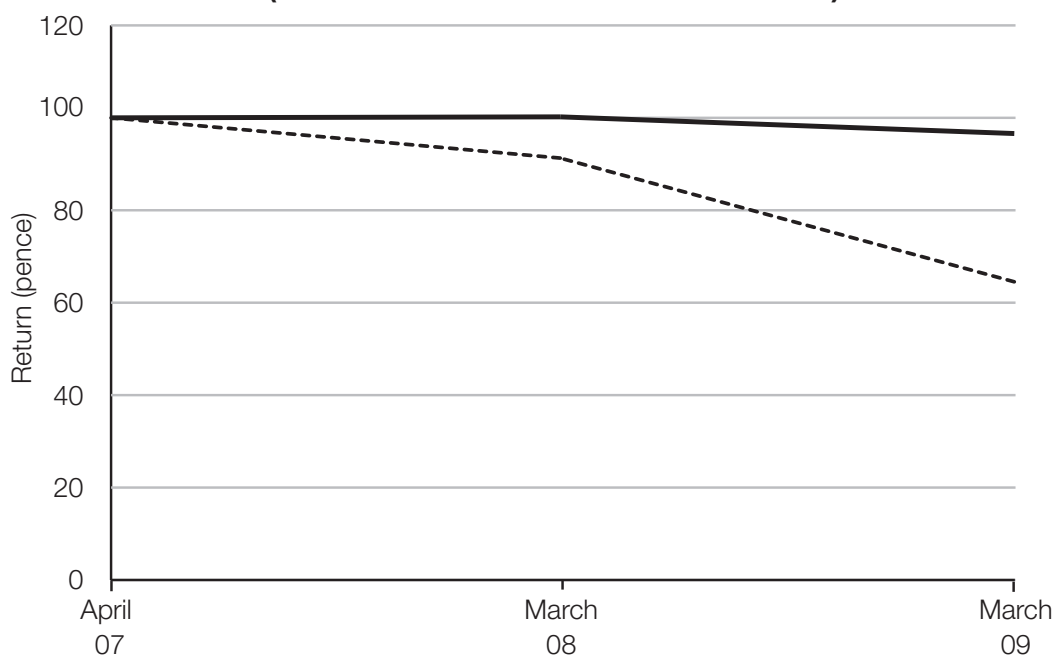
1.65p

Total tax free dividend per share paid in the year to 31 March 2009

1.0p

First tax free dividend per share for the year to 31 March 2010

**Net Asset Value total return relative to FTSE All-Share Index total return
(in both cases with dividends reinvested)**



From 4 April 2007 to 31 March 2009

— Net asset value with dividends reinvested.

- - - FTSE All-Share Index with dividends reinvested.

Source: Albion Ventures LLP

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

Financial Highlights continued

	31 March 2009 (pence per share)	31 March 2008 (pence per share)
Dividends paid per Ordinary share	1.65	0.70
Revenue return per Ordinary share	2.10	2.80
Capital loss per Ordinary share	(5.90)	(2.50)
Net asset value per Ordinary share	88.80	94.00

Net asset value total return to shareholders since launch:

	31 March 2009 (pence per share)
Total dividends paid during the period ended 31 March 2008*	0.70
Total dividends paid during the year ended 31 March 2009*	1.65
Total dividends paid to 31 March 2009	2.35
Net asset value as at 31 March 2009	88.80
Total net asset value return to 31 March 2009	91.15

* The dividend of 0.7 pence per share paid during the period ended 31 March 2008 and first dividend of 0.4 pence per share paid during the year ended 31 March 2009 were paid to shareholders who subscribed in the 2006/2007 offer only.

In addition to the above dividends, the Company will pay a first dividend of 1 penny per share on 7 August 2009 to shareholders on the register as at 10 July 2009.

Notes

- *All dividends paid by the Company are free of income tax. It is an Inland Revenue requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.*
- *The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies – VCTs section of the Financial Times on a daily basis.*
- *Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value.*

Investment Objectives

The aim of Albion Enterprise VCT (“the Company”) is to provide investors with a regular and predictable source of income, combined with the prospect of longer term capital growth. Once fully invested, the Company intends to achieve this by investing up to 50 per cent. of the net funds raised in an asset-based portfolio of lower risk, ungeared businesses, principally operating in the leisure sector and related areas (the “Asset-Based Portfolio”). The balance of the net funds raised, other than funds retained for liquidity purposes, will be invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to higher risk technology companies (the “Growth Portfolio”). Funds awaiting investment in Qualifying Investments or retained for liquidity purposes will be held in gilts, on deposit or invested in floating rate notes or similar instruments, in the latter two cases with banks with a Moody’s credit rating of ‘A’ or above.

The Company’s investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term. The Asset-Based Portfolio is designed to provide stability and income whilst still maintaining the potential for capital growth. The Growth Portfolio is intended to provide highly diversified exposure through its portfolio of investments in unquoted UK companies.

Financial Calendar

Annual General Meeting	11 August 2009
Record date for first dividend	10 July 2009
Payment of first dividend	7 August 2009
Announcement of interim results for the six months ended 30 September 2009	November 2009
Payment of second dividend	January 2010

Chairman's Statement

Introduction

The results for the Company's second period of operation, being the year to 31 March 2009, reflect the worsening economic environment. Nevertheless, the Company's total negative return of 3.8 pence per share (or 4.3 per cent. of net asset value) compares favourably to the decline in the FTSE All-Share Index (including dividends paid) of 29.3 per cent. over the same period. This is principally due to the fact that the Company still has high levels of cash available for investment.

Under the Further Offer for subscription launched in December 2007, a total of 10,567,738 shares were issued on 4 April 2008 at a price of 100 pence each. The net proceeds of the Offer were £9,986,512. These shares were admitted to the Official List and to the London Stock Exchange on 7 April 2008.

Investment progress and prospects

A total of £4.3 million was invested in three existing and eight new investee companies during the year, taking the total portfolio to sixteen qualifying investments. While trading in many of our asset-backed, leisure-oriented businesses remains resilient, valuations have fallen in line with the decline generally in the commercial property market, particularly for those investments made during 2007. In addition, there has been slower progress than expected in some of our growth investments, which has also resulted in partial write downs. Nevertheless, your Company's policy of ensuring that it has a first charge, wherever possible, over investee companies' assets is helping to mitigate the adverse effect of the economic down-turn. In addition, your Company has considerable cash resources which will enable it to take advantage of the lower valuations now becoming apparent.

The current very low interest rates available in the market, however, lead us to take a cautious view over the income prospects of the Company in the current year, though we would currently expect a dividend of not less than 2 pence per share to be paid during the year.

Recovery of historic VAT

Following a period of lobbying by the Association of Investment Companies, the welcome review of the position regarding the exemption of management fees from VAT by H.M. Revenue & Customs in July 2008 has meant that the Manager is able to reclaim historic VAT that it had previously charged to the Company. A reclaim of historic VAT of £38,000 (before the deduction of tax) has been credited to the accounts in respect of the repayment. Further details regarding this claim, and its disclosure, are shown in note 6 of the Annual Report and Financial Statements. With effect from 1 October 2008, all management and administration fees are considered exempt from VAT.

Risks and uncertainties

The strongly negative outlook of the UK economy continues to be the key risk affecting the Company and, as mentioned above, we are seeing the effects of this in certain sectors of our portfolio. Nevertheless, despite pressures on individual investee companies, the portfolio as a whole remains cash generative and it remains our policy to ensure that investee companies have no external bank borrowings. Meanwhile, investment opportunities continue to arise at attractive valuations in a variety of sectors. Among these is the healthcare sector, which is one of our core areas of concentration. Detailed analysis of the other risks and uncertainties facing the business is shown in the Director's Report and Enhanced Business Review in this Annual Report and Financial Statements.

Results and dividends

The revenue return after tax was £640,000 enabling total dividends to be paid of 1.65 pence per share. Net asset value per share at 31 March 2009 was 88.8 pence (31 March 2008: 94.0 pence). Your Board announces a first dividend for the year of 1 penny per share (2008: 0.4 pence per share) which will be paid on 7 August 2009 to those shareholders on the register as at 10 July 2009.

Discount management and share buy-backs

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest, including the

Chairman's Statement continued

maintenance of sufficient resources for the investment in existing and new portfolio companies and the continued payment of dividends to shareholders. Given the high level of volatility and the adverse movements apparent in all markets, the discount to net asset value per share at which shares are bought back will widen from that which has applied historically.

Change of the Manager and name change

The business of Close Ventures Limited was acquired by Albion Ventures LLP ("Albion Ventures") from Close Brothers Group plc ("Close") on 23 January 2009. Albion Ventures has been formed by the executive directors of Close Ventures Limited; meanwhile Close will continue to have an investment in the business. The Company's management contract has been novated from Close Ventures to Albion Ventures under exactly the same terms as the existing agreement. The investment approach of Albion Ventures and the investment policy of the Company are also unchanged, with a continued emphasis on building up a broad portfolio of investee companies normally with no external bank borrowings and the maintenance of a regular dividend yield. As a result of this change, the Company Secretary has changed to Albion Ventures LLP, and the Company changed its name from Close Enterprise VCT PLC to Albion Enterprise VCT PLC at a General Meeting on 20 March 2009.

Patrick Reeve

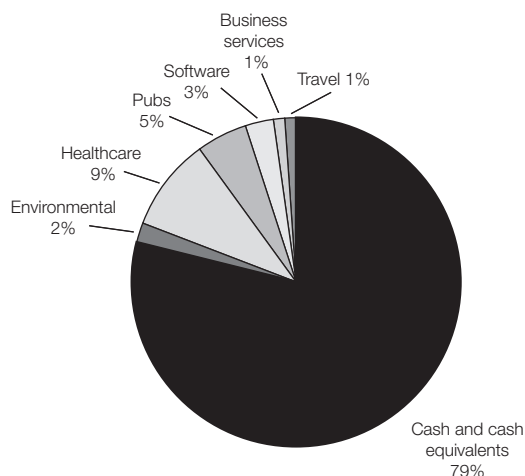
Director

2 July 2009

Manager's Report

An analysis of Albion Enterprise VCT PLC's investment portfolio as at 31 March 2009 is shown below.

Split of portfolio valuation by sector as at 31 March 2009



Source: Albion Ventures LLP

Care has been taken to create a spread across a broad number of sectors, with those that are asset-backed and consumer based such as pubs and cinemas, being balanced by higher growth businesses in areas such as healthcare and environmental sectors.

New investments

New investments made during the year include the following: £430,000 in Dexela Limited, which designs and develops scanners for diagnosing breast cancer; £457,000 in Prime Care Holdings Limited, which provides domiciliary care for the elderly in the south of England; £167,000 in Mirada Medical Limited, which provides software to integrate medical diagnostics; £555,000 in Forth Photonics Limited, which provides equipment for detection of cervical cancer; £950,000 in Bravo Inns II Limited, which is purchasing pubs in the north west of England; £1 million in Droxford Hospital Limited, which is in the process of acquiring a site for the development of a mental hospital; and £560,000 in Vibrant Energy Surveys Limited, a provider of environmental efficiency certificates within the property sector.

As the above chart shows, emphasis is being placed on investments involved in the healthcare sector as we believe this is one of the sectors (along with the environmental sector) that is likely to show a level of resilience in growth in the current difficult economic climate.

Portfolio review

A number of companies in the portfolio are performing strongly, with particular growth being shown by Opta Sports Data Limited (which provides sports analysis for the media sector) and Bravo Inns II Limited (where a number of public houses were bought recently at attractive prices). In addition Prime Care Holdings Limited is showing promising organic growth since we first invested. Against this, Resorthoppa Limited, which provides transfer services from airports to hotels within the travel sector, was hit both by pressures on the travel sector in general and also by the strength of the euro. This led to the company being merged with Lowcosttravelgroup Limited, a company in which a number of the other VCTs managed by Albion Ventures LLP have an investment. In addition, a partial provision has been made against the investment in Vibrant Energy Surveys Limited. The company was affected last year by the severe slow down in residential housing sales and this in turn led to the restructuring of the company's management.

New investment opportunities

We are already building up a strong and diversified portfolio of healthcare related businesses. In addition, we aim to ensure that the environmental sector also forms a sizeable portion of the Company's investment portfolio. The Company currently has considerable cash balances, and we continue to review a number of opportunities at attractive valuations in both these and other areas such as the leisure sector, where a lack of bank financing has led to some interesting opportunities for cautious purchasers.

Albion Ventures LLP

Manager

2 July 2009

The Board of Directors

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

Maxwell Packe (64) FCA (appointed 28 November 2006) is also director of Schroder UK Mid & Small Cap Fund plc, chairman of Kelvin Hughes Limited and chairman of Vibrant Energy Surveys Limited (a company in which Albion Enterprise VCT PLC has invested). Since 1996 he has been chairman of a number of private equity-backed companies with successful trade sales, including Crestacare PLC, Corgi Classics Limited and Paragon Book Services Limited. Previously he was founder and chief executive of Household Mortgage Corporation PLC from 1986 until its sale in 1996 to Abbey National Plc. Mr Packe was previously chairman of Murray VCT 2 PLC (which subsequently merged with Murray VCT PLC and Murray VCT 3 PLC and was renamed Crown Place VCT PLC).

Lady Balfour of Burleigh (63) CBE (appointed 28 November 2006) is a non-executive director of Murray International Trust plc, Stagecoach Group plc and Scottish Oriental Smaller Companies Trust plc. She is also chairman of the Nuclear Liabilities Fund and the Nuclear Liabilities Financing Assurance Board. She was formerly a director of Cable and Wireless plc, Midland Electricity plc and WH Smith plc.

Lord St. John of Bletso (52) (appointed 28 November 2006) is a qualified solicitor and chairman of Spiritel plc, a telecommunication services and solutions provider. He acts as a consultant to 2e2, a provider of mission critical IT services and solutions. He was a consultant to Merrill Lynch until November 2008. He is also chairman of the Governing Boards of Certification International Limited and Eurotrust International Limited. He has been a Crossbench Member of the House of Lords since 1979 and an extra Lord-in-Waiting to HM The Queen since 1999. He serves on several EU Select Committees. He was appointed a director of Sharp Interpack Limited in 2009, the largest manufacturer of packaging for frozen foods in the UK.

Patrick Reeve (49) MA, ACA (appointed 28 November 2006) qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Albion Ventures LLP with the launch of Albion Venture Capital Trust PLC (previously Close Brothers Venture Capital Trust PLC) in the spring of 1996. He is a director of Albion Protected VCT PLC, Albion Income & Growth VCT PLC and Albion Technology & General VCT PLC, all managed by Albion Ventures LLP. He is also a director of Healthcare & Leisure Property Fund PLC, to which Albion Ventures LLP acts as investment adviser.

The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Services Authority and is the Manager of Albion Enterprise VCT PLC. In addition to Albion Enterprise VCT PLC, it manages a further six venture capital trusts, and has currently total funds under management of approximately £200 million.

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

Patrick Reeve (49), MA, ACA, details included in the Board of Directors section.

Isabel Dolan (44), BSc (Hons), ACA, MBA, is Operations Partner of Albion Ventures LLP having previously been Finance Director for a number of unquoted companies. From 1993 to 1997 she was Head of Recoveries at the Specialised Lending Services Department of the Royal Bank of Scotland plc, and from 1997 to 2001 she was at 3i plc, latterly as a Portfolio Director. She joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Dr Andrew Elder (38), MA, FRCS. After qualifying as a surgeon, he practised for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001, specialising in healthcare strategy. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Will Fraser-Allen (38), BA (Hons), ACA, Deputy Managing Partner of Albion Ventures LLP, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2001.

Emil Gigov (39), BA (Hons), ACA, qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2000.

David Gudgin (37), BSc (Hons), ACMA, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US\$80 million, before joining Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Michael Kaplan (32), BA, MBA. After graduating from the University of Washington in 1999 with a BA in International Finance, he joined Marakon Associates as an Analyst. In 2000, he became the Chief Financial Officer of Widevine Technologies, a security software company based in Seattle. After graduation with his MBA from INSEAD in 2004, he joined the Boston Consulting Group focusing on the retail and financial services industries. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2007.

Ed Lascelles (33), BA (Hons), joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2004.

Henry Stanford (43), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of Close Brothers Group plc in 1992. He transferred to Albion Ventures LLP (formerly Close Ventures Limited) in 1998.

Robert Whitby-Smith (34), BA (Hons), MSI, ACA, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Marco Yu (31) MPhil, MA, MRICS, qualified as a chartered surveyor in 2004. From 2002 to 2005, he worked at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005, where he advised senior lenders on large capital projects. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2007.

Portfolio of Investments

The following is a summary of fixed asset investments as at 31 March 2009:

Investee company	% voting rights	% voting rights of AVL* managed companies	As at 31 March 2009			As at 31 March 2008			Change in carrying/fair value for the year** £'000
			Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	
Qualifying portfolio									
Asset-based investments									
Droxford Hospital Limited	18.7	50.0	1,000	(3)	997	–	–	–	(3)
Bravo Inns II Limited	11.7	50.0	950	(61)	889	–	–	–	(61)
Bravo Inns Limited	8.4	50.0	750	(349)	401	750	(198)	552	(151)
Welland Inns VCT Limited	2.6	50.0	278	(91)	187	260	(43)	217	(48)
CS (Norwich) Limited	6.3	50.0	100	(28)	72	100	5	105	(33)
Total Asset-based investments			3,078	(532)	2,546	1,110	(236)	874	(296)
Growth investments									
Forth Photonics Limited	4.5	12.2	555	–	555	–	–	–	–
Prime Care Holdings Limited	11.1	48.5	457	9	466	–	–	–	9
Dexela Limited	5.6	34.8	430	–	430	–	–	–	–
Mi-Pay Limited	6.2	32.8	490	(102)	388	340	1	341	(103)
Oxsensis Limited	4.1	22.3	380	–	380	380	–	380	–
Opta Sports Data Limited	2.8	14.1	300	2	302	300	3	303	(1)
Point 35 Microstructures Limited	5.1	26.0	384	(125)	259	384	–	384	(125)
Process Systems Enterprise Limited	3.1	15.9	295	(122)	173	295	–	295	(122)
Mirada Medical Limited	15.0	45.0	166	–	166	–	–	–	–
Vibrant Energy Surveys Limited	7.2	25.6	560	(453)	107	–	–	–	(453)
Lowcosttravelgroup Limited	1.0	26.0	270	(238)	32	270	–	270	(238)
Total Growth investments			4,287	(1,029)	3,258	1,969	4	1,973	(1,033)
Total qualifying investments			7,365	(1,561)	5,804	3,079	(232)	2,847	(1,329)

* Albion Ventures LLP

** As adjusted for additions and disposals between the two accounting periods

Portfolio of Investments continued

The following is a summary of current asset investments as at 31 March 2009:

	As at 31 March 2009			As at 31 March 2008			Change in carrying/fair value for the year** £'000
	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	Investment at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000	
Non-qualifying Investments							
Lloyds TSB Euro Commercial Paper 30 June 2009	3,837	112	3,949	–	–	–	112
Barclays Bank floating rate note 2 July 2010	3,760	(16)	3,744	–	–	–	(16)
Bank of Nova Scotia floating rate note 22 September 2010	2,186	(19)	2,167	–	–	–	(19)
Nationwide floating rate note 7 June 2010	1,863	(37)	1,826	1,496	(22)	1,474	(15)
HBOS floating rate note 17 December 2009	447	(10)	437	–	–	–	(10)
Total non-qualifying investments	12,093	30	12,123	1,496	(22)	1,474	52
Total investments	19,458	(1,531)	17,927	4,575	(254)	4,321	(1,277)

** As adjusted for additions and disposals between the two accounting periods

Portfolio Companies

The top ten qualifying investments by total aggregate value of equity and loan stock are as follows (unquoted loan stock held by the following investments are classified as loans and receivables in accordance with FRS 26 and are carried at amortised cost using the effective interest rate):

Droxford Hospital Limited

DROXFORD

The company was formed in 2008 to develop a new low security mental hospital. The company has not yet started trading.

Latest audited results:

As a new company, Droxford Hospital Limited has not yet filed statutory accounts.

Basis of valuation: Cost reviewed for impairment

Investment information

	£'000
Income recognised in the year	2
Equity valuation	117
Loan stock valuation	880
Voting rights	18.7 per cent.

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

Bravo Inns II Limited



The company was formed in September 2007 and has acquired eleven freehold pubs in the North of England. The company is managed by the team which successfully exited from The Bold Pub Company Limited.

Latest audited results – period to 31 March 2008

As a small company, Bravo Inns II Limited is exempt from filing full accounts.

	£'000
Net assets	328
Basis of valuation:	Net asset value supported by third party valuation

Investment information

	£'000
Income recognised in the year	39
Equity valuation	234
Loan stock valuation	655
Voting rights	11.7 per cent.

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

Portfolio Companies continued

Forth Photonics Limited



The company develops, manufactures and sells medical devices for the detection of epithelial cancers.

Latest audited results – year to 31 December 2007

	£'000
Turnover	Nil
Loss before interest	(281)
Net assets	2,667
Basis of valuation:	Cost reviewed for impairment
Website:	www.forth-photonics.com

Investment information

	£'000
Income recognised in the year	–
Equity valuation	555
Voting rights	4.5 per cent.

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 12.2 per cent.

Prime Care Holdings Limited



The company provides domiciliary care services in East Sussex and Hampshire.

Latest audited results:

As a new company, Prime Care Holdings Limited has not yet filed statutory accounts.

Basis of valuation:	Cost reviewed for impairment
Website:	www.primecare.uk.com

Investment information

	£'000
Income recognised in the year	13
Equity valuation	151
Loan stock valuation	315
Voting rights	11.1 per cent.

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 48.5 per cent.

Portfolio Companies continued

Dexela Limited

The company is a developer and provider of medical imaging technology for the early detection of breast cancer.



Latest audited results – year to 30 June 2008

As a small company, Dexela Limited is exempt from filing full accounts.

	£'000
Net assets	264
Basis of valuation:	Cost reviewed for impairment
Website:	www.dexela.co.uk

Investment information

Income recognised in the year	£'000
Equity valuation	–
Voting rights	430
	5.6 per cent.

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 34.8 per cent.

Bravo Inns Limited

The company was formed in May 2007 and currently owns seven freehold pubs in and around Bolton. The refurbishment programme has now been completed, and the decrease in valuation reflects the current fall in asset values in this sector generally. The company is managed by the team which recently successfully exited from The Bold Pub Company Limited.



Latest audited results – period to 31 March 2008

As a small company, Bravo Inns Limited is exempt from filing full accounts.

	£'000
Net assets	228
Basis of valuation:	Net asset value supported by third party valuation

Investment information

Income recognised in the year	£'000
Equity valuation	39
Loan stock valuation	–
Voting rights	401
	8.4 per cent.

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

Portfolio Companies continued

Mi-Pay Limited



The company provides a range of mobile payment services. The investment took place in an early stage business, and the main focus of the company to date has been increasing resources and capacity. The company aims to increase sales over the next year through targeting significant contracts.

Latest audited results – year to 31 December 2007

	£'000
Turnover	1,482
Loss before interest	(33)
Net assets	1,680
Basis of valuation:	Recent investment price
Website:	www.mi-pay.com

Investment information

	£'000
Income recognised in the year	11
Equity valuation	255
Loan stock valuation	133
Voting rights	6.2 per cent.

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 32.8 per cent.

Oxsensis Limited

Oxsensis



The company develops and produces industrial sensors for use in super high temperature environments including gas and aerospace turbines. The investment took place in an early stage business and sales are expected to take place over the next year.

Latest audited results – year to 31 December 2007

As a small company, Oxsensis Limited is exempt from filing full accounts.

	£'000
Net assets	3,915
Basis of valuation:	Cost reviewed for impairment
Website:	www.oxsensis.com

Investment information

	£'000
Income recognised in the year	–
Equity valuation	380
Voting rights	4.1 per cent.

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 22.3 per cent.

Portfolio Companies continued

Opta Sports Data Limited



The company is one of Europe's leading compilers of sports performance data, covering over 3,000 football and other sport matches across Europe. Since investment it has traded in line with expectations.

Latest audited results – year to 30 June 2008

	£'000
Turnover	4,323
Loss before interest	(94)
Net assets	1,801
Basis of valuation:	Earnings multiple
Website:	www.optasportsdata.com

Investment information

	£'000
Income recognised in the year	19
Equity valuation	132
Loan stock valuation	170
Voting rights	2.8 per cent.

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 14.1 per cent.

Point 35 Microstructures Limited



This company is a refurbisher of semiconductor fabrication equipment and a producer of proprietary MEMS device fabrication equipment. The proprietary equipment business is a potentially high growth area, and the refurbishment business has been grown from start up over a four year period.

Latest audited results – period to 31 December 2007

	£'000
Turnover	813
Loss before interest	(884)
Net assets	878
Basis of valuation:	Cost reviewed for impairment
Website:	www.pt35.com

Investment information

	£'000
Income recognised in the year	19
Equity valuation	67
Loan stock valuation	192
Voting rights	5.1 per cent.

Other funds managed by Albion Ventures LLP have invested in this company and have a combined equity holding of 26.0 per cent.

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

Directors' Report and Enhanced Business Review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Enterprise VCT PLC (the "Company") for the year ended 31 March 2009.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has received provisional approval by H.M. Revenue & Customs as a venture capital trust in accordance with Part 6 of the Income Taxes Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 March 2009 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 is listed on the London Stock Exchange.

The Company is an investment company as defined in Section 833 of the Companies Act 2006.

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

Capital structure

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

The Company's share capital comprises Ordinary shares. 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 spread over a number of sectors which produce a regular and predictable source of income combined with the prospect of longer term capital growth.

Albion Enterprise VCT PLC closed its Further Offer for subscription of new Ordinary shares on 4 April 2008, whereby 10,567,738 new shares were allotted. The Ordinary shares and the new Ordinary shares will rank *pari passu* for dividends (save for this financial year to 31 March 2009, whereby the first dividend of 0.4 pence per share was paid to shareholders who subscribed in the 2006/07 offer only) and voting rights. Each Ordinary share and new Ordinary share is currently entitled to one vote. The Directors are not aware of any restrictions on the transfer of shares or on voting rights.

Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth. The Company intends to achieve this by investing up to 50 per cent. of the net funds raised in an asset-based portfolio of lower risk, ungeared businesses, principally operating in the leisure sector and related areas (the "Asset-Based Portfolio"). The balance of the net funds raised, other than funds retained for liquidity purposes, will be invested in a portfolio of higher growth businesses across a variety of sectors of the UK economy. These will range from lower risk, income producing businesses to higher risk technology companies (the "Growth Portfolio"). In neither category would investee companies normally have any external borrowing with a charge ranking ahead of the VCT. Up to two thirds of qualifying investments by cost will comprise loan stock secured with a first charge on the investee company's assets.

Funds awaiting investment in Qualifying Investments or retained for liquidity purposes will be invested in gilts, held on deposit or invested in floating rate notes, in the latter two cases with banks with a Moody's credit rating of 'A' or above.

The Company's investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term. The Asset-Based Portfolio is designed to provide stability and income whilst still maintaining the potential for capital growth. The Growth Portfolio is intended to provide highly diversified exposure through its portfolio of investments in unquoted UK companies.

Venture Capital Trust status

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

- (1) The Company's income must be derived wholly or mainly from shares and securities;
- (2) At least 70 per cent. of the value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings' (following the initial three year investment period, which includes the year to 31 March 2009);
- (3) At least 30 per cent. by value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares';

Directors' Report and Enhanced Business Review continued

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

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in one investee company. The tests have been carried out and independently reviewed for the year ended 31 March 2009. The Company has until 31 March 2010 to meet test (2) listed above in relation to the funds raised in 2006/07. The Company met its obligation to comply with tests (1), (3), (4), (5), (6) and (7) above for the year ended 31 March 2009 and continues to do so.

'Qualifying holdings', for Albion Enterprise VCT PLC include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture, and operating or managing hotels or residential care homes. Details of the sectors in which the Company is invested can be found in the pie chart on page 8 of the Manager's Report.

Investee company gross assets must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter and there is an annual investment limit of £1 million in each company.

From 1 April 2008 onwards, there is a further restriction to investment in companies having less than 50 full time employees and a £2 million cap on the amount of funds which a company can raise in any 12 month period from VCTs.

Gearing

As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 March 2009, the Company's maximum exposure was £2,693,000 and its actual short term and long term gearing at this date was £nil. The Directors do not currently have any intention to utilise long term gearing.

Current portfolio sector allocation

The pie chart on page 8 of the Manager's report graphically represents the split of the portfolio valuation by industrial or commercial sector as at 31 March 2009. Details of the principal investments made by the Company are shown in the portfolio of investments on page 11.

Review of business and future changes

A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 6 and Manager's Report on page 8. Details of related party transactions are shown in note 24.

Details of significant events which have occurred since the end of the financial year are listed in note 22.

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

Operational arrangements

The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Services Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 22.

Results and dividends

	£'000
Net revenue return for the year ended 31 March 2009	640
Revenue dividend of 0.4p per share paid on 15 August 2008	(79)
Revenue dividend of 1.25 per share paid on 9 January 2009	(380)
Transferred to revenue reserve	181
Net capital loss for the year ended 31 March 2009 and transferred to realised and unrealised capital reserves	(1,795)
Net assets as at 31 March 2009	26,928
Net asset per share as at 31 March 2009	88.8p

The Company paid dividends of 1.65 pence per share (2008: 0.7 pence) during the year ended 31 March 2009.

Directors' Report and Enhanced Business Review continued

As described in the Chairman's Statement, the Board has declared a dividend of 1 penny per share payable on 7 August 2009 to shareholders on the register as at 10 July 2009.

As shown in the Company's Income Statement on page 32 of the financial statements, the investment income has increased to £1,248,000 (2008: £1,065,000), derived from loan stock interest, income from floating rate notes, Euro Commercial Paper, and bank interest. This is as a result of the additional interest earned on the new funds raised in the 2007/08 offer. Revenue return to equity holders has improved to £640,000 (2008: £559,000).

Capital return for the year was a loss of £1,795,000, (2008: loss of £500,000), mainly attributable to the unrealised devaluations in the Company's investment portfolio as a result of the current economic climate, and due to the capitalisation of management fees in the year.

The total return per share was a loss of 3.8 pence per share (2008: profit 0.3 pence per share).

The Balance Sheet on page 33 of the financial statements shows that the net asset value per share has decreased over the last year to 88.8 pence per share (2008: 94.0 pence per share). The fall in net asset value can be attributed to the payments of dividends in the year in addition to the trading reasons stated above.

Cash flow for the business has been negative for the year, reflecting the increased dividends paid and greater investment activity in the year. However, following the new share issue, liquidity over the year has improved as these proceeds are held as both current asset investments and cash balances. This has resulted in increased resources available for investment. In the 2007/08 share offer, £9,986,512 was raised net of issue costs, of which 80 per cent. was held as cash, floating rate notes or similar instruments as at 31 March 2009.

Key performance indicators

The graph on page 3 shows Albion Enterprise VCT PLC's net asset value return against the FTSE All-Share Index return, in both instances with dividends reinvested. Details on the performance of the net asset value and return per share for the year are shown above.

The total expense ratio for the year to 31 March 2009 was 3.30 per cent. (2008: 3.46 per cent.). This reduction results from the one-off recognition of recoverable VAT due on historic management fees.

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current policy can be found on page 7 of the Chairman's Statement. During the year, no shares were purchased for cancellation and 43,300 were purchased to be held in treasury.

In the Directors' view, there are no other non-financial performance indicators materially relevant to the business.

Principal risks and uncertainties

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

1. *Investment risk*

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

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

2. *Venture Capital Trust approval risk*

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

Directors' Report and Enhanced Business Review continued

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

3. *Compliance risk*

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

Board members and the Manager have experience of operating at senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from the auditors, lawyers and other professional bodies.

4. *Internal control risk*

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

The Audit Committee will meet with the Manager's internal auditors, Littlejohn LLP, at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. In the past year the Board has met with the Head of Internal Audit of Close Brothers Group on a similar basis. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 28.

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

5. *Reliance upon third parties risk*

The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions. There are provisions within the Management Agreement for the change of Manager under certain circumstances (for more detail, see the Management Agreement paragraph on page 22). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.

6. *Financial risks*

By its nature, as a venture capital trust, the Company is exposed to investment risk (which comprises investment price risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 21 to the financial statements.

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

Environment

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

Employees

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

Directors

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

	Shares held as at 31 March 2009	Shares held as at 31 March 2008
Maxwell Packe	102,100	40,000
Lady Balfour of Burleigh	10,350	–
Lord St. John of Bletso	20,700	–
Patrick Reeve	41,551	31,201

Directors' Report and Enhanced Business Review continued

There have been no changes in the holdings of the Directors between 31 March 2009 and the date of this report.

No Director has a service contract with the Company.

All Directors, except for Patrick Reeve, who is a director of the Manager, are members of the Audit Committee, of which Lord St. John of Bletso is Chairman.

Patrick Reeve, as Managing Partner of Albion Ventures LLP, is deemed to have an interest in the management contract and management performance incentive to which the Company is party.

No options over the share capital, long term incentive or retirement benefits of the Company have been granted to Directors personally, nor does the Company make a contribution to any pension scheme on behalf of the Directors.

Directors' indemnity

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

Re-election of Directors

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance. At the forthcoming Annual General Meeting, Lady Balfour of Burleigh and Lord St. John of Bletso will retire and offer themselves for re-election.

Management agreement

The Company and Close Ventures Limited entered into a Management Agreement dated 8 December 2006. This agreement was novated to Albion Ventures LLP on 23 January 2009. The Management Agreement can be terminated by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Management Agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 2.5 per cent. of the net asset value of the Company. The fee is payable quarterly in arrears. Total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value.

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

Management performance incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager. Under the incentive arrangement, the Company will pay an incentive fee to the Manager of an amount equal to 20 per cent. of the excess return that will be calculated for each financial year. The minimum target level, comprising dividends and net asset value, will be equivalent to an annualised rate of return of the average base rate of the Royal Bank of Scotland plc plus 2 per cent. per annum on the original subscription price of £1. Any shortfall of the target return will be carried forward into subsequent periods and the incentive fee will only be paid once all previous and current target returns have been met.

Evaluation of the Manager

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

Valuation of investments

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

Investment and co-investment

The Company co-invests with other venture capital trusts and funds managed and advised by Albion Ventures LLP. Allocation of investments is on the basis of an allocation

Directors' Report and Enhanced Business Review continued

agreement which is based, inter alia, on the ratio of funds available for investment.

Auditors

The auditors, PKF (UK) LLP have indicated their willingness to continue as auditors to Albion Enterprise VCT PLC. A resolution to re-appoint PKF (UK) LLP as auditors will be proposed at the Annual General Meeting on 11 August 2009.

Substantial interests

As at 31 March 2009 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued share capital, and there have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 March 2009, and to the date of this report.

The shareholder profile of the Company as at 2 July 2009 is as follows:

Number of shares held	% shareholders	% share capital
1,000	–	–
2,000	–	–
5,000	11.0	2.7
10,000	36.0	12.5
50,000	44.8	46.8
100,000	6.2	20.2
500,000	1.9	15.9
1,000,000	0.1	1.9

Supplier payment policy

The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. The creditor days as at 31 March 2009 were 11 days (2008: 4 days). There were no overdue trade creditors at 31 March 2009 (2008: nil).

Annual General Meeting

The Annual General Meeting will be held at The City of London Club, 19 Old Broad Street, London, EC2N 1DS at 12 noon on 11 August 2009. 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.

The summary of proxies lodged at the Annual General Meeting will be published at www.albion-ventures.co.uk

within the 'Our Funds' section by clicking on Albion Enterprise VCT PLC.

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

Power to allot shares

Ordinary resolution number 7 will request the authority for directors to allot up to an aggregate nominal amount of £1,515,879 representing approximately 10 per cent. of the issued Ordinary share capital of the Company (excluding shares held in treasury) as at 31 March 2009.

The Directors do not currently have any intention to allot shares, with the exception of reissuing shares where it is in the Company's interest to do so. The Company currently holds 43,300 Ordinary shares in treasury representing 0.1 per cent. of the total Ordinary share capital in issue (excluding shares held in treasury) as at the date of this Report.

This resolution replaces the authority given to the Directors at the Annual General Meeting in 2008. The authority sought at the forthcoming Annual General Meeting will expire on 11 February 2011.

Dis-application of pre-emption rights

Special resolution number 8 will request 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 up to £757,940 of nominal capital representing 5 per cent. of the issued Ordinary share capital of the Company as at 2 July 2009 (excluding treasury shares). The authority sought at the Annual General Meeting will expire on 11 February 2011. Members should note that this resolution also relates to treasury shares.

Purchase of own shares

The Company is seeking authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in special resolution number 9.

Shares bought back under this authority may be cancelled and up to 10 per cent. can be held in treasury.

The authority sought at the Annual General Meeting will expire eighteen months from the date this resolution is

Directors' Report and Enhanced Business Review continued

passed or at the conclusion of the next Annual General Meeting of the Company, whichever is earlier.

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 2008 authority, which was in similar terms. During the financial year under review, the Company purchased 43,300 Ordinary shares of 50 pence each for treasury at an aggregate consideration of £31,000 including stamp duty representing 0.1 per cent. of the issued share capital (excluding shares held in treasury). The Company did not purchase any shares for cancellation during the period.

Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 9 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations. These powers are intended to permit Directors to sell treasury shares at a price not less than that at which they were purchased.

Recommendation

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

Statement of Directors' responsibilities for the preparation of company financial statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing and Disclosure and Transparency Rules of the Financial Services Authority.

Company law and the Disclosure and Transparency Rules require the Directors to prepare such financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

The Directors of the Company as at 2 July 2009 are shown in the Board of Directors section on page 9. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies Act 1985. They are also responsible for the system of internal control, 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 confirm, to the best of their knowledge that:

- the financial statements, prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Management Report included within the Chairman's Statement, Manager's Report and Directors' Report and Enhanced Business Review includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Manager's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Disclosure of information to auditors

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

- so far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and

Directors' Report and Enhanced Business Review continued

- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This disclosure is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By Order of the Board

Albion Ventures LLP

Company Secretary
1 King's Arms Yard
London EC2R 7AF

2 July 2009

Statement of Corporate Governance

Background

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

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

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

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

Application of the Principles of the Code

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

Board of Directors

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

Maxwell Packe is the Chairman. Maxwell Packe, Lord St. John of Bletso and Lady Balfour of Burleigh are considered independent directors. Patrick Reeve is not considered an independent director as he is the Managing Partner of Albion Ventures LLP, the Manager. The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section of this Report, on page 9.

Directors are provided with key information on the Company’s activities, including regulatory and statutory requirements, and internal controls, by the Manager. The

Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors’ & Officers’ Liability Insurance.

The Board met four times during the year as part of its regular programme of Board meetings. All of the Directors attended each meeting, with the exception of Maxwell Packe who was unable to attend one meeting. A sub-committee of the Board comprising Maxwell Packe and Patrick Reeve met once during the year to authorise conflicts of interest and Maxwell Packe, Lord St. John of Bletso and Patrick Reeve met to agree the novation of the Management Agreement to Albion Ventures LLP (which had been agreed in principle at full Board Meetings previously).

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

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

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

Statement of Corporate Governance continued

Committees' and Directors' performance evaluation

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

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

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

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

Lord St. John of Bletso and Lady Balfour of Burleigh will be proposed for re-election at the Annual General Meeting. As a result of the performance evaluation process, they are considered to be independent and effective and demonstrate strong commitment to the role; on this basis, the Board believes it to be in the best interest of the Company to reappoint these Directors at the forthcoming Annual General Meeting.

Remuneration Committee

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

Audit Committee

The Audit Committee consists of all Directors excluding Patrick Reeve. Lord St. John of Bletso is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 March 2009; all members attended.

Written terms of reference have been constituted for the Audit Committee, these are as follows:

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditors annually, approving their appointment, reappointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- developing and implementing a policy for the supply of non-audit services by the external auditors;
- meeting with the internal auditors of the Manager when appropriate;
- ensuring that all Directors of the Company, and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee, and that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and therefore reviewing the performance of the Manager and all matters arising under the Management Agreement.

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

- formally reviewing the Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group;
- meeting with the external auditors and reviewing their findings; and
- reviewing the performance of the Manager and making recommendations regarding their reappointment to the Board.

Nomination Committee

The Nomination Committee consists of all Directors, apart from Patrick Reeve, with Maxwell Packe as Chairman. The terms of reference of the Nomination Committee are to

Statement of Corporate Governance continued

evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee met following the year end and had no matters to consider.

It is the policy of the Company that all of the Directors are nominated for re-election every three years. The next re-election is at the Annual General Meeting on 11 August 2009. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

Internal control

In accordance with principle C.2 of the Combined Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

During the year, as the Board has delegated the investment management and administration to Albion Ventures LLP (formerly Close Ventures Limited), the Board feels that it is not necessary to have its own internal audit function. Instead, the Board had access to the internal audit department of Close Brothers Group plc, which undertook periodic examination of

the business processes and controls environment at Albion Ventures LLP (previously Close Ventures Limited), and ensured that any recommendations to implement improvements in controls were carried out. During the year, Albion Ventures LLP appointed Littlejohn LLP as their internal auditors. Littlejohn LLP will report formally to the Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going concern

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 21. The Company's business activities, together with details of its performance are shown in the Directors' Report and Enhanced Business Review. The Company has significant cash and liquid resources. The 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 reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

Conflicts of interest

Directors disclose conflicts of interest annually with any changes announced at the beginning of Board meetings. A Director that has potential conflicts of interest has two independent Directors authorise and acknowledge their conflicts. Procedures to disclose and authorise conflicts of interest have been adhered to throughout the year.

Relationships with shareholders

The Company's Annual General Meeting on 11 August 2009 will be used as an opportunity to communicate with investors. The Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting. At the Annual General Meeting, the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

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

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

Statement of Corporate Governance continued

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

Tel: 0871 664 0300

Calls cost 10p per minute plus network extras

Email: ssd@capitaregistrars.com

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

Tel: 020 7601 1850

Email: info@albion-ventures.co.uk

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

Statement of compliance

With the exception of the requirement to have a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 March 2009 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 7a to the Companies Act 1985. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Director's remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

UNAUDITED INFORMATION

Remuneration Committee

Since the Company consists solely of non-executive Directors, a Remuneration Committee is not considered necessary.

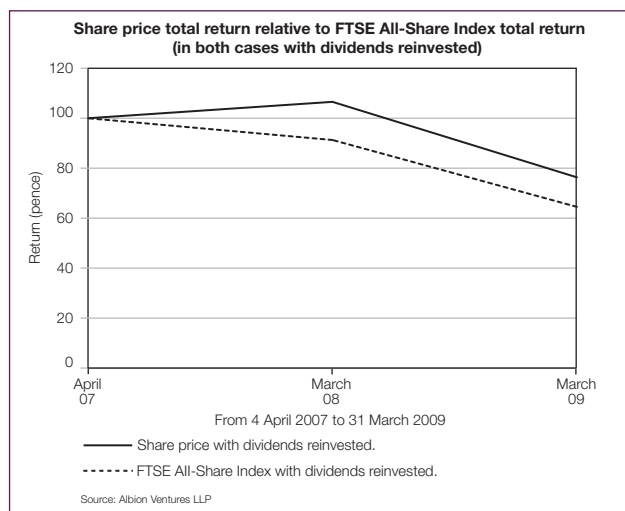
Directors' remuneration policy

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

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

Performance graph

The graph below shows Albion Enterprise VCT PLC's share price return against the FTSE All-Share Index total return, in both instances with dividends reinvested. The Directors consider this to be the most appropriate benchmark. Investors should however be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.



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

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

Service contracts

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

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. At the forthcoming Annual General Meeting Lord St. John of Bletso and Lady Balfour of Burleigh will retire and be proposed for re-election.

AUDITED INFORMATION

Directors' remuneration

The following items have been audited.

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

	2009 Fees £'000	2008 Fees £'000
Maxwell Packe	20	18
Lady Balfour of Burleigh	17	16
Lord St. John of Bletso	17	16
Albion Ventures LLP (for Patrick Reeve's Services)	17	16
	<u>71</u>	<u>66</u>

Maxwell Packe is paid an annual fee of £20,000 and Lady Balfour of Burleigh, Lord St. John of Bletso and Patrick Reeve are paid an annual fee of £18,000 each. The above table represents a reduction to these amounts as they were implemented from the date of allotment of the shares issued under the Further Offer.

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 recharged to the Company, save for Patrick Reeve whose services are provided by Albion Ventures LLP.

In addition to Directors' remuneration, the Company pays annual premiums in respect of Directors' & Officers' Liability Insurance of £9,135.

By order of the Board

Albion Ventures LLP

Company Secretary
1 King's Arms Yard
London EC2R 7AF

2 July 2009

Independent Auditors' Report to the Members of Albion Enterprise VCT PLC

We have audited the Financial Statements of Albion Enterprise VCT PLC for the year ended 31 March 2009 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds, the Cash Flow Statement and the related notes. The Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement and Manager's Report that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's Statement, Manager's Report, Directors' Report, the Statement of Corporate Governance, the unaudited part of the Directors' Remuneration Report and the other unaudited information in the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

PKF (UK) LLP

Registered Auditors
London, UK

2 July 2009

Income Statement

	Note	Year ended 31 March 2009			From 7 November 2006 to 31 March 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	-	(1,434)	(1,434)	-	(262)	(262)
Investment income	4	1,248	-	1,248	1,065	-	1,065
Investment management fees	5	(181)	(542)	(723)	(117)	(352)	(469)
Recovery of VAT	6	10	28	38	-	-	-
Other expenses	7	(203)	-	(203)	(175)	-	(175)
Return/(loss) on ordinary activities before tax		874	(1,948)	(1,074)	773	(614)	159
Tax (charge)/credit on ordinary activities	9	(234)	153	(81)	(214)	114	(100)
Return/(loss) attributable to shareholders		640	(1,795)	(1,155)	559	(500)	59
Basic and diluted return/(loss) per share (pence)*	11	2.1	(5.9)	(3.8)	2.8	(2.5)	0.3

*(excluding treasury shares)

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.

The accompanying notes on pages 37 to 49 form an integral part of these financial statements.

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

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

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

Balance Sheet

	Note	31 March 2009 £'000	31 March 2008 £'000
Fixed asset investments	12	5,804	2,847
Current assets			
Trade and other debtors	14	30	141
Current asset investments	14	12,123	1,474
Cash at bank	19	9,319	14,363
Total current assets		21,472	15,978
Creditors: amounts falling due within one year	15	(348)	(221)
Net current assets		21,124	15,757
Net assets		26,928	18,604
Capital and reserves			
Called up share capital	16	15,180	9,897
Special reserve		13,473	8,787
Treasury shares reserve		(31)	–
Realised capital reserve		(614)	(238)
Unrealised capital reserve		(1,681)	(262)
Revenue reserve		601	420
Total equity shareholders' funds		26,928	18,604
Basic and diluted net asset value per share (pence)*	18	88.8	94.0

*(excluding treasury shares)

The accompanying notes on pages 37 to 49 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors, and authorised for issue on 2 July 2009 and were signed on its behalf by:

Patrick Reeve
Director

Reconciliation of Movement in Shareholders' Funds

	Called-up share capital £'000	Share premium £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Unrealised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 April 2008	9,897	–	8,787	–	(238)	(262)	420	18,604
Issue of share capital	5,283	5,283	–	–	–	–	–	10,566
Issue costs	–	(580)	–	–	–	–	–	(580)
Cost of cancellation of share premium account	–	–	(17)	–	–	–	–	(17)
Cancellation of share premium account	–	(4,703)	4,703	–	–	–	–	–
Capitalised investment management fees	–	–	–	–	(542)	–	–	(542)
Recovery of VAT capitalised	–	–	–	–	28	–	–	28
Tax relief on costs charged to capital	–	–	–	–	153	–	–	153
Purchase of own treasury shares	–	–	–	(31)	–	–	–	(31)
Net realised losses on investments in the year	–	–	–	–	(15)	–	–	(15)
Unrealised losses on investments	–	–	–	–	–	(1,419)	–	(1,419)
Revenue return attributable to shareholders	–	–	–	–	–	–	640	640
Dividends paid	–	–	–	–	–	–	(459)	(459)
As at 31 March 2009	15,180	–	13,473	(31)	(614)	(1,681)	601	26,928

Reconciliation of Movement in Shareholders' Funds

continued

	Called-up share capital £'000	Share premium £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Unrealised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 7 November 2006	–	–	–	–	–	–	–	–
Issue of share capital	9,897	9,897	–	–	–	–	–	19,794
Issue costs	–	(1,089)	–	–	–	–	–	(1,089)
Cost of cancellation of share premium account	–	–	(21)	–	–	–	–	(21)
Cancellation of share premium account	–	(8,808)	8,808	–	–	–	–	–
Capitalised investment management fees	–	–	–	–	(352)	–	–	(352)
Tax relief on costs charged to capital	–	–	–	–	114	–	–	114
Unrealised losses on investments	–	–	–	–	–	(262)	–	(262)
Revenue return attributable to shareholders	–	–	–	–	–	–	559	559
Dividends paid	–	–	–	–	–	–	(139)	(139)
As at 31 March 2008	<u>9,897</u>	<u>–</u>	<u>8,787</u>	<u>–</u>	<u>(238)</u>	<u>(262)</u>	<u>420</u>	<u>18,604</u>

Included within these reserves is an amount of £11,748,000 (2008: £8,707,000) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

Cash Flow Statement

	Note	Year ended 31 March 2009 £'000	From 7 November 2006 to 31 March 2008 £'000
Operating activities			
Investment income received		776	138
Deposit interest received		311	903
Investment management fees paid		(527)	(408)
Other cash payments		(188)	(239)
Net cash inflow from operating activities	20	372	394
Taxation			
UK corporation tax paid		(126)	–
Capital expenditure and financial investments			
Purchase of investments		(4,286)	(3,078)
Net cash outflow from investing activities		(4,286)	(3,078)
Management of liquid resources			
Purchase of current asset investments		(22,544)	(1,497)
Disposal of current asset investments		11,933	–
Net cash outflow from liquid resources		(10,611)	(1,497)
Equity dividends paid			
Dividends paid	10	(459)	(139)
Net cash outflow before financing		(15,110)	(4,320)
Financing			
Issue of ordinary share capital	16	10,568	19,794
Purchase of own shares		(24)	–
Expenses of issue of ordinary share capital		(478)	(1,111)
Net cash inflow from financing		10,066	18,683
Cash (outflow)/inflow in the year	19	(5,044)	14,363

Notes to the Financial Statements

1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice “Financial Statements of Investment Companies” (“SORP”) issued by the Association of Investment Companies (“AIC”) in January 2009. Albion Enterprise VCT PLC has decided to adopt the principles of the January 2009 SORP earlier than the mandatory date. Accounting policies have been applied consistently in current and prior periods except for the classification of floating rate notes as explained below.

2. Accounting policies

Fixed and current asset investments

Unquoted equity investments

In accordance with FRS 26 “Financial Instruments Measurement”, unquoted equity investments are designated as fair value through profit or loss (“FVTPL”). Unquoted investments’ fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

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

Warrants, convertibles and unquoted equity derived instruments

Warrants, convertibles and unquoted equity derived instruments are only valued if their exercise or contractual conversion terms would allow them to be exercised or converted as at the balance sheet date, and if there is additional value to the Company in exercising or converting as at the balance sheet date. Otherwise these instruments are held at nil value. The valuation techniques used are those used for the underlying equity investment.

Unquoted loan stock and Euro commercial paper

Unquoted loan stock and Euro commercial paper are classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method (“EIR”) less impairment. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement, and hence are reflected in the Revenue reserve, and movements in respect of capital provisions are reflected in the capital column of the Income Statement and are reflected in the Realised capital reserve following sale, or in the Unrealised capital reserve on revaluation.

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset’s cost and the

present value of estimated future cash flows, discounted at the effective interest rate.

Unquoted loan stocks are classified as fixed asset investments in the balance sheet.

Floating rate notes

In accordance with FRS 26, floating rate notes are designated as FVTPL. Floating rate notes are valued at market bid price at the balance sheet date.

Floating rate notes and Euro commercial paper are classified as current asset investments as they are investments held for the short term and comparative classification in the Balance Sheet has been restated accordingly.

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.

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

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

Investment income

Unquoted equity income

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

Unquoted loan stock, Euro commercial paper income and other preferred income

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

Bank interest income

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

Floating rate note income

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

Treasury gilt edged stock income

Treasury gilt income is recognised on an accruals basis using the interest rate applicable to the treasury gilt.

Notes to the Financial Statements continued

2. Accounting policies (continued)

Investment management fees and expenses

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

- 75 per cent. of Management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments. 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.

Under the terms of the Management Agreement, total expenses including management fees and excluding performance fees will not exceed 3.5 per cent. of net asset value per annum.

Taxation

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

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

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

Performance incentive fee

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

Reserves

Realised capital reserves

The following are disclosed in this reserve:

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

Unrealised capital reserves

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

Special reserve

This reserve was created on the cancellation of the Company's Share premium account, is distributable and amongst other purposes can be used for making market purchases and effecting tender offers of Ordinary shares, offsetting of losses to enable the Company to pay dividends, or can be used for the same purposes that the Company could use a Share premium account.

Treasury shares reserve

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

Dividends

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

Notes to the Financial Statements continued

3. Losses on investments

	Year ended 31 March 2009 £'000	From 7 November 2006 to 31 March 2008 £'000
Unrealised losses on fixed asset investments held at fair value through profit or loss account	(1,251)	(240)
Unrealised losses on investments held at amortised cost	(108)	–
Unrealised losses on fixed asset investments	(1,359)	(240)
Unrealised losses on current asset investments held at fair value through profit or loss account	(60)	(22)
Unrealised losses sub total	(1,419)	(262)
Realised losses on current asset investments held at fair value through profit or loss account	(15)	–
Realised losses sub total	(15)	–
Total	(1,434)	(262)

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

4. Investment income

	Year ended 31 March 2009 £'000	From 7 November 2006 to 31 March 2008 £'000
Income recognised on investments held at fair value through profit or loss		
Floating rate note interest	317	61
Bank deposit interest	312	913
Treasury gilt edged stock interest	348	–
	977	974
Income recognised on investments held at amortised cost		
Return on loan stock investments	159	91
Euro commercial paper interest	112	–
	1,248	1,065

Interest income earned on impaired investments at 31 March 2009 amounted to £41,000 (2008: nil). These investments are held at amortised cost.

5. Investment management fees

	Year ended 31 March 2009 £'000	From 7 November 2006 to 31 March 2008 £'000
Investment management fee charged to revenue	181	117
Investment management fee charged to capital	542	352
	723	469

Further details of the Management Agreement under which the investment management fee is paid are given in the Directors' Report and Enhanced Business Review on page 22. An additional management fee (total £56,000) has been generated through the recovery of historic VAT and has been net off against the VAT recovery amount in the Income Statement.

Notes to the Financial Statements continued

6. Recovery of VAT

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

The Manager, Albion Ventures LLP has made a claim for the historic VAT that Albion Enterprise VCT PLC has paid on management fees. During the year, the Company received a historic VAT payment of £94,000 (before the deduction of tax) prior to off-setting an increase in management fees of £56,000 due as a result of the increase in the net asset value for the respective periods and resultant recovery of fees subject to an expense cap.

A net sum of £38,000 has been recognised as a separate item in the Income Statement, allocated between revenue and capital return in the same proportion as that which the original VAT has been charged. An additional tax charge of £11,000 is payable on this recovery of historic VAT and this is reflected in the tax charge shown in the Income Statement.

It is possible that further amounts may be recoverable in due course; however, the Directors are at this stage unable to quantify the amounts involved.

7. Other expenses

	Year ended 31 March 2009 £'000	From 7 November 2006 to 31 March 2008 £'000
Directors' fees and associated costs	83	75
Auditors' remuneration – audit fees	22	20
Assurance services pursuant to legislation	–	12
Other	98	68
	203	175

All of the audit fees in the current year include value added tax and relate to PKF (UK) LLP, the current auditors. Assurance services pursuant to legislation in the prior period include value added tax and relate to Deloitte & Touche LLP, the previous auditors.

8. Directors' fees

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

	Year ended 31 March 2009 £'000	From 7 November 2006 to 31 March 2008 £'000
Directors' fees	71	66
National insurance and/or VAT	9	6
Expenses	3	3
	83	75

Expenses charged relate to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found on the Directors' Remuneration Report on page 30.

Notes to the Financial Statements continued

9. Tax charge/(credit) on ordinary activities

	Year ended 31 March 2009			From 7 November 2006 to 31 March 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax in respect of the current year	234	(153)	81	214	(114)	100

The UK government changed the rate of UK corporation tax rate from 30 per cent. to 28 per cent. with effect from 1 April 2008. The tax charge for the year is lower than the standard rate of corporation tax of 28 per cent. (2008: 30 per cent.). The differences are explained below.

	Year ended 31 March 2009 £'000	From 7 November 2006 to 31 March 2008 £'000
(Loss)/return on ordinary activities before tax	(1,074)	159
Tax on (loss)/profit at the standard rate	(300)	48
Factors affecting the charge:		
Capital losses not subject to taxation	401	79
Marginal relief	(20)	(27)
	81	100

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 of 28 per cent. and allocating the relief between revenue and capital in accordance with the SORP.
- (iii) No deferred tax asset or liability has arisen in the year.

10. Dividends

	Year ended 31 March 2009			From 7 November 2006 to 31 March 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividend of 0.7p per share paid on 28 December 2007	-	-	-	139	-	139
Dividend of 0.4p per share paid on 15 August 2008	79	-	79	-	-	-
Dividend of 1.25p per share paid on 9 January 2009	380	-	380	-	-	-
	459	-	459	139	-	139

In addition to the dividends summarised above, the Directors have declared a first revenue dividend for the year ending 31 March 2010 of 1 penny per share to be paid on 7 August 2009 to shareholders on the register as at 10 July 2009.

Notes to the Financial Statements continued

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

	Year ended 31 March 2009			From 7 November 2006 to 31 March 2008		
	Revenue	Capital	Total	Revenue	Capital	Total
Return/(loss) attributable to equity shares (£'000)	640	(1,795)	(1,155)	559	(500)	59
Return/(loss) attributable per Ordinary share (pence) (basic and diluted)	2.1	(5.9)	(3.8)	2.8	(2.5)	0.3

Return per share has been calculated on 30,266,779 shares (2008: 19,793,147), being the weighted average number of shares in issue for the year, excluding treasury shares of 43,300 (2008: nil).

There are no convertible instruments, derivatives or contingent share agreements in issue for Albion Enterprise VCT PLC hence there are no dilution affects to the return per share. The basic return per share is therefore the same as the diluted return per share.

12. Fixed asset investments

	31 March 2009 £'000	31 March 2008 £'000	
Qualifying investments	5,804	2,847	
	Qualifying equity investments and warrants and convertibles £'000	Qualifying loan stock investments £'000	Qualifying investments £'000
Opening valuation as at 1 April 2008	1,579	1,268	2,847
Purchases at cost	2,296	1,990	4,286
Movement in loan stock accrued income	–	30	30
Unrealised losses	(1,251)	(108)	(1,359)
Closing valuation as at 31 March 2009	2,624	3,180	5,804
Movement in loan stock accrued income			
Opening accumulated movement in loan stock accrued income as at 1 April 2008	–	8	8
Movement in loan stock accrued income	–	30	30
Closing accumulated movement in loan stock accrued income as at 31 March 2009	–	38	38
Movement in unrealised losses			
Opening accumulated unrealised losses as at 1 April 2008	(240)	–	(240)
Movement in unrealised losses	(1,251)	(108)	(1,359)
Closing accumulated unrealised losses as at 31 March 2009	(1,491)	(108)	(1,599)
Historic cost basis			
Opening book cost as at 1 April 2008	1,819	1,260	3,079
Purchases at cost	2,296	1,990	4,286
Closing book cost as at 31 March 2009	4,115	3,250	7,365

Fixed asset investments held at fair value through the profit or loss account total £2,624,000 (2008: £1,579,000). Investments held at amortised cost total £3,180,000 (2008: £1,268,000). There has been no re-designation of fixed asset investments during the year.

Notes to the Financial Statements continued

12. Fixed asset investments (continued)

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

	31 March 2009 £'000	31 March 2008 £'000
Unquoted equity	2,624	1,297
Unquoted loan stock	3,180	1,268
Warrants and convertibles	–	282
	5,804	2,847

Fixed asset investment class valuation methodologies

Unquoted loan stock investments are valued on an amortised cost basis. Loan stock with fixed interest rates total £1,897,000. Loan stock with floating rates of interest total £1,283,000.

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

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

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

Investment methodology	31 March 2009 £'000	31 March 2008 £'000
Cost (reviewed for impairment)	1,436	1,462
Net asset value supported by third party valuation	239	116
Recent investment price	685	–
Earning multiple	264	–
	2,624	1,578

Investments held for less than 12 months are valued at cost in the absence of a more appropriate valuation methodology. Thereafter, the valuation will move to the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no reasonable possible alternative methods of valuation of the investments as at 31 March 2009, other than those used.

The portfolio had the following movements between investment methodologies between 31 March 2008 and 31 March 2009:

Change in investment methodology (2008 to 2009)	Value as at 31 March 2009 £'000	Explanatory note
Cost (reviewed for impairment) to recent investment price	255	Investment held at cost for the first year
Cost (reviewed for impairment) to earnings multiple	232	Investment held at cost for the first year

13. Significant interests

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

The Company does not have interests of greater than 20 per cent. in the nominal value of any class of the allotted shares in the investee companies as at 31 March 2009.

Notes to the Financial Statements continued

14. Current assets include the following:

	31 March 2009 £'000	31 March 2008 £'000
Trade and other debtors		
Prepayments and accrued income	30	21
Other debtors	–	120
	<u>30</u>	<u>141</u>

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

	31 March 2009 £'000	31 March 2008 £'000
Current asset investments		
Lloyds TSB Euro Commercial Paper 30 June 2009	3,949	–
Barclays Bank floating rate note 2 July 2010	3,744	–
Bank of Nova Scotia floating rate note 22 September 2010	2,167	–
Nationwide Building Society floating rate note 7 June 2010	1,826	1,474
HBOS floating rate note 17 December 2009	437	–
	<u>12,123</u>	<u>1,474</u>

The investments in the floating rate notes and Euro commercial paper represent money held for investment. These instruments can be converted to cash within three working days. This sum is regarded as money held pending investment and is treated as liquid resources in the cash flow statement. Floating rate notes were classified as fixed assets in the prior period and have been reclassified to current asset investments in the current year.

15. Creditors: amounts falling due within one year

	31 March 2009 £'000	31 March 2008 £'000
UK corporation tax payable	54	100
Accruals and deferred income	266	119
Other creditors	28	2
	<u>348</u>	<u>221</u>

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

16. Called up share capital

	31 March 2009 £'000	31 March 2008 £'000
Authorised		
50,000,000 shares of 50p each (2008: 50,000,000)	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid		
30,360,885 shares of 50p each (2008: 19,793,147)	<u>15,180</u>	<u>9,897</u>
Allotted, called up and fully paid excluding treasury shares		
30,317,585 shares of 50p each (2008: 19,793,147)	<u>15,159</u>	<u>9,897</u>

The Company purchased 43,300 shares (2008: nil) to be held in treasury at a cost of £31,000 (2008: £nil) representing 0.1 per cent. of the shares in issue (excluding treasury shares) as at 1 April 2008. The shares purchased for treasury were funded from the Treasury shares reserve. The Company holds a total of 43,300 shares representing 0.1 per cent. of the shares in issue (excluding Treasury shares) as at 31 March 2009.

At the Extraordinary General Meeting on 19 December 2007, an Ordinary resolution was approved to increase the Company's authorised share capital from £20,000,000 to £25,000,000 by the creation of 10,000,000 Ordinary shares of 50p each. These shares were used for the Further Offer for Subscription which closed on 4 April 2008.

Notes to the Financial Statements continued

16. Called up share capital (continued)

On 4 April 2008, 10,567,738 shares with a nominal value of 50 pence each, (total nominal value of £5,283,869) were allotted in accordance with the terms of the Offer for Subscription dated 23 November 2007. These were issued at a total value of 100 pence each. These shares were admitted to the Official List of the UK Listing Authority on 7 April 2008.

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Consideration received £'000	Opening market price per share on allotment date pence per share
4 April 2008	10,567,738	5,284	10,568	100.0

17. Share premium account

On 27 November 2008, the Company registered the Court Order dated 26 November 2008, which cancelled the whole of the share premium account amounting to £4,702,643 as at 26 November 2008. The purpose of the cancellation was to increase the special reserve which may be treated as distributable profits, and amongst other purposes can be used for making market purchases and effecting tender offers of Ordinary shares, offsetting of losses to enable the Company to pay dividends, or can be used for the same purposes that the Company could use a share premium account.

18. Basic and diluted net asset value per share

	31 March 2009	31 March 2008
Basic and diluted net asset value per share attributable (pence)	88.8	94.0

The 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 30,317,585 shares (2008: 19,793,147) at 31 March 2009.

The Company's policy is to sell treasury shares at a price greater than the purchase price hence the net asset value per share on a diluted basis would be equal to or greater than the basic net asset value per share, depending on the actual price achieved for selling the treasury shares.

19. Analysis of changes in cash during the year

	31 March 2009	31 March 2008
	£'000	£'000
Opening cash balances	14,363	–
Net cash (outflow)/inflow	(5,044)	14,363
Closing cash balances	9,319	14,363

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

	Year ended 31 March 2009	From 7 November 2006 to 31 March 2008
	£'000	£'000
Revenue return on ordinary activities before taxation	874	773
Investment management fee charged to capital	(542)	(352)
Recovery of VAT charged to capital	28	–
Movement in accrued amortised loan stock interest	(30)	(8)
Increase in debtors	(128)	(141)
Increase in creditors	170	122
Net cash inflow from operating activities	372	394

Notes to the Financial Statements continued

21. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares as described in note 16. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 23 of the Directors' Report and Enhanced Business Review.

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

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

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

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

Investment risk

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

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

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

The maximum investment risk as at the balance sheet date is the value of the fixed and current asset investment portfolio which is £17,927,000 (2008: £4,321,000). Fixed and current asset investments form 67 per cent. of the Ordinary share net asset value as at 31 March 2009 (2008: 23 per cent.).

More details regarding the classification of fixed and current asset investments are shown in notes 12 and 14.

Investment price risk

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

In accordance with the IPEVCV Guidelines, in the absence of a more appropriate methodology, investments held for less than 12 months are valued at cost. Thereafter, the valuation will move to the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no reasonable possible alternative methods of valuation of the investments as at 31 March 2009.

As required under FRS 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 by £1,793,000 (2008: £432,000).

Notes to the Financial Statements continued

21. Capital and financial instruments risk management (continued)

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced total return before tax for the year by approximately £191,000 (2008: £177,000).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 6.6 per cent. (2008: 10.1 per cent.). The weighted average period to maturity for the fixed rate assets is approximately 2.74 years (2008: 4.3 years).

Credit risk

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

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

Floating rate note investments, Euro Commercial Paper and bank deposits are held with banks which have a Moody's credit rating of at least 'A'. 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 Manager and the Board formally review credit risk (including debtors) and other risks, both at the time of initial investment and at quarterly Board meetings.

The Company's total gross credit risk at 31 March 2009 was limited to £3,180,000 (2008: £1,268,000) of unquoted loan stock instruments, £9,319,000 (2008: £14,363,000) cash deposits with banks and £12,123,000 (2008: £1,474,000) held in floating rate notes and Euro Commercial Paper. An analysis of the performance of unquoted loan stock by redemption date is given under Liquidity risk below.

As at the balance sheet date, the cash held by the Company is held with the Royal Bank of Scotland plc, Bank of Scotland plc, Lloyds TSB Bank plc and HSBC plc. Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, with Moody's credit ratings of at least 'A' or equivalent as assigned by international credit rating agencies.

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account, as Euro Commercial Paper and as floating rate notes. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its net assets, which amounts to £2,693,000 (2008: £1,860,000) as at 31 March 2009.

The Company has no committed borrowing facilities as at 31 March 2009 (2008: nil) and had cash balances of £9,319,000 (2008: £14,363,000), together with £8,174,000 (2008: £1,474,000) invested in floating rate notes and £3,949,000 invested in Euro Commercial Paper (2008: nil), which are considered to be readily realisable within the timescales required to make cash available for investment. The main cash outflows are for new investments, buy-back of shares and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis as part of its review of management accounts and forecasts. All the Company's financial liabilities are short term in nature and total £348,000 (2008: £221,000) at 31 March 2009.

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

Notes to the Financial Statements continued

21. Capital and financial instruments risk management (continued)

Liquidity risk (continued)

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

Redemption date	Fully performing loan stock £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
3-5 years	2,592	–	588	3,180

The carrying value of loan stock investments held at amortised cost at 31 March 2008 is analysed by expected maturity date as follows:

Redemption date	Fully performing loan stock £'000	Renegotiated loan stock £'000	Impaired loan stock £'000	Total £'000
3-5 years	1,084	184	–	1,268

The cost, impairment and carrying value of impaired loan stocks held at amortised cost at 31 March 2009 and 31 March 2008 are as follows:

	31 March 2009			31 March 2008		
	Cost £'000	Impairment £'000	Carrying value £'000	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	706	(118)	588	–	–	–

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

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

Fair values of financial assets and financial liabilities

All the Company's financial assets and liabilities as at 31 March 2009 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, which are carried at amortised cost, in accordance with FRS 26. In the opinion of the Directors the current carrying value of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different to the fair value and all are payable within one year and that the Company is subject to low liquidity risk as a result of nil gearing and strong cash balances.

The Company's financial assets and liabilities as at 31 March 2009, all denominated in pounds sterling, consist of the following:

	31 March 2009				31 March 2008			
	Fixed rate £'000	Floating rate £'000	Non- interest £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non- interest £'000	Total £'000
Floating rate notes	–	8,174	–	8,174	–	1,474	–	1,474
Euro Commercial Paper	3,949	–	–	3,949	–	–	–	–
Unquoted loan stock	2,299	881	–	3,180	1,268	–	–	1,268
Unquoted equity	–	–	2,624	2,624	–	–	1,579	1,579
Debtors	–	–	30	30	–	–	141	141
Current liabilities	–	–	(348)	(348)	–	–	(221)	(221)
Cash	4,500	4,819	–	9,319	5,000	9,363	–	14,363
Total net assets	10,748	13,874	2,306	26,928	6,268	10,837	1,499	18,604

22. Post balance sheet events

Since 31 March 2009 the Company has completed the following investments:

- Investment in Welland Inns VCT Limited of £12,000
- Investment in Bravo Inns II Limited of £125,000
- Investment in Mi-Pay Limited of £94,000
- Investment in 1Kingsarmsyard Income & Growth VCT Limited of £56,000

Notes to the Financial Statements continued

23. Contingencies, guarantees and financial commitments

The Company has no guarantees, contingencies or financial commitments.

24. Related party transactions

The Manager, Albion Ventures LLP, is considered to be a related party by virtue of the fact that Patrick Reeve, a Director of the Company, is also a Partner of the Manager. The Manager is party to a Management Agreement from the Company (details disclosed on page 22 of this report). During the year, services of a total value of £723,000 (2008: £469,000) were purchased by the Company from Albion Ventures LLP. At the financial year end, the amount due to Albion Ventures LLP disclosed as accruals and deferred income was £219,000 (2008: £62,000).

Albion Ventures LLP has reclaimed VAT from HMRC as described in note 6. A sum of £38,000 has been recognised in the Income Statement for the year reflecting a gross receipt of £94,000, less a creditor for £56,000 in respect of related historic management fees to be paid to Albion Ventures LLP.

Patrick Reeve, is a Director of the Company, and is also the Managing Partner of Albion Ventures LLP, which is the Manager of the Fund. During the year, the Company was charged £20,000 (including VAT) by Albion Ventures LLP in respect of Patrick Reeve's services as a Director (2008: £19,000). At the year end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals and deferred income was £5,000 (2008: £5,000).

Buybacks of Ordinary shares during the year were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc, which, up to 23 January 2009 was the ultimate parent company of the Manager. Details of buy-backs during the year can be found in note 16.

During the year, fundraising fees of £581,000 were paid to Close Investments Limited, a subsidiary of Close Brothers Group plc, in association with the Further Offer for Subscription in April 2008.

Maxwell Packe is the chairman of the Board and a shareholder in Vibrant Energy Surveys Limited, a company in which Albion Enterprise VCT PLC is invested. During the year, the Company invested £560,000 in Vibrant Energy Surveys Limited. At the year end, the Company held equity with a value of nil, and loan stock with a value of £107,000. During the year, the Company received loan stock interest of £3,000.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Albion Enterprise VCT PLC (the "Company") will be held at 12 noon on 11 August 2009 at the City of London Club, 19 Old Broad Street, London, EC2N 1DS for the following purposes:

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

Ordinary Business

1. To receive and adopt the Company's accounts and the reports of the Directors and Auditors for the year ended 31 March 2009.
2. To reappoint PKF (UK) LLP as Auditors of the Company from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid.
3. To authorise the Directors to agree the Auditors' remuneration.
4. To approve the Directors' remuneration report for the year ended 31 March 2009.
5. To re-elect Lord St. John of Bletso as a Director of the Company.
6. To re-elect Lady Balfour of Burleigh as a Director of the Company.

Special Business

7. That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount in the case of Ordinary shares of 50p each in the capital of the Company ("Ordinary shares") of £1,515,879 (which comprises 10 per cent. of the Ordinary share capital excluding shares held in treasury) such authority to expire on 11 February 2011, but so that the Company may before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period, and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired; and all unexercised authorities previously granted to the Directors to allot relevant securities be, and are hereby, revoked.
8. To consider and, if thought fit, pass the following resolution as a special resolution:

That subject to and conditional on the passing of resolution number 7, the Directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution number 7 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) in connection with an offer of such securities by way of rights issue, open offer;
- (b) in connection with any Dividend Reinvestment Scheme introduced and operated by the Company; and
- (c) otherwise than pursuant to the sub-paragraphs above, in respect of the Ordinary shares, to an aggregate nominal amount of £757,940 (equal to 5 per cent. of the Ordinary share capital excluding shares held in treasury);

and shall expire on 11 February 2011, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

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

Notice of Meeting continued

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of the resolution the words “pursuant to the authority conferred by resolution number 7” were omitted.

9. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

That, subject to and in accordance with Article 49 of the Company’s Articles of Association, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary shares of 50p each in the capital of the Company (“Ordinary shares”) on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 162D of the Act, provided that:

- (a) the maximum aggregate number of shares authorised to be purchased is 4,544,606 Ordinary shares (representing approximately 14.99 per cent of the issued Ordinary shares (excluding shares held in treasury) as at the date of this Notice;
- (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share is 50p;
- (c) the maximum price, exclusive of any expenses that may be paid for each Ordinary share is an amount equal to the higher of: (a) 105 per cent of the average of the middle market quotations as derived from the London Stock Exchange Daily Official List, for a share over the five business days immediately preceding the day on which the Ordinary share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (d) the authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution, whichever is earlier; and
- (e) the Company may make a contract or contracts to purchase Ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary shares in pursuance of any such contract or contracts.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 9 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

The Directors seek authority to sell treasury shares at a price not less than that at which they were purchased.

BY ORDER OF THE BOARD

Albion Ventures LLP

Company Secretary
Registered Office
1 King’s Arms Yard
London EC2R 7AF

2 July 2009

Notice of Meeting continued

Notes

1. This notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Companies Act 2006 to enjoy information rights.
2. Only holders of Ordinary shares, or their duly appointed representatives, are entitled to attend, vote and speak at the meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend, speak and vote on his/her behalf. A proxy form is enclosed with this Notice. To be valid a proxy appointment must reach the office of the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours before the time fixed for the meeting or any adjournment thereof.
3. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered member who hold shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members on the register of members of the Company as at 12 noon on 9 August 2009 (or, if the meeting is adjourned, members on the register of members not later than 48 hours before the time fixed for the adjourned meeting) are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. Copies of letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the Articles of Association will be available for inspection at the Company's registered office from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.
6. Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required 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 meeting; or
 - (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, 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 meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

