

Albion Technology & General VCT PLC



Half-yearly Financial Report
(unaudited) for the
six months to 30 June 2020



AlbionCapital

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This Half-yearly Financial Report has not been audited or reviewed by the Auditor.



Company information

Company number	04114310
Directors	Dr N E Cross, Chairman R Archibald M A Cordeiro P M Payn M V Rees-Mogg P H Reeve
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Capital Group LLP 1 Benjamin Street London, EC1M 5QL
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Corporate broker	Panmure Gordon (UK) Limited One New Change London, EC4M 9AF
Taxation adviser	Philip Hare & Associates LLP 1 Temple Avenue London, EC4Y 0HA
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
Depository	Ocorian (UK) Limited 11 Old Jewry London, EC2R 8DU

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

Shareholder information

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

Tel: 0370 873 5854 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri, calls are recorded)

Website: www.investorcentre.co.uk

Shareholders can also contact the Chairman directly on: AATGchair@albion.capital

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

Financial adviser information

For enquiries relating to the performance of the Company and information for financial advisers please contact Albion Capital Group LLP:

Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls are recorded)

Email: info@albion.capital

Website: www.albion.capital

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

Investment objective and policy

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

Investment policy

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

VCT qualifying and non-qualifying investments

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

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

Risk diversification and maximum exposures

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

Borrowing powers

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

Financial calendar

Record date for special dividend	9 October 2020
Payment date for special dividend	30 October 2020
Record date for second interim dividend for the year	4 December 2020
Payment date for second interim dividend for the year	31 December 2020
Financial year end	31 December

Financial summary

	Unaudited six months ended 30 June 2020 (pence per share)	Unaudited six months ended 30 June 2019 (pence per share)	Audited year ended 31 December 2019 (pence per share)
Opening net asset value	82.58	77.40	77.40
Revenue (loss)/return	(0.07)	0.25	0.47
Capital (loss)/return	(2.70)	9.83	8.81
Total (loss)/return	(2.77)	10.08	9.28
Dividends paid	(2.00)	(2.00)	(4.00)
Impact from share capital movements	0.04	(0.33)	(0.10)
Net asset value	77.85	85.15	82.58

	Ordinary shares (pence per share)
Total shareholder value to 30 June 2020	
Total dividends paid during the period ended:	
31 December 2001	1.00
31 December 2002	2.00
31 December 2003	1.50
31 December 2004	7.50
31 December 2005	9.00
31 December 2006	8.00
31 December 2007	8.00
31 December 2008	16.00
31 December 2009	–
31 December 2010	8.00
31 December 2011	5.00
31 December 2012	5.00
31 December 2013	5.00
31 December 2014	5.00
31 December 2015	5.00
31 December 2016	5.00
31 December 2017	4.00
31 December 2018	4.00
31 December 2019	4.00
30 June 2020	2.00
Total dividends paid to 30 June 2020	105.00
Net asset value as at 30 June 2020	77.85
Total shareholder value to 30 June 2020	182.85

In addition to the dividends paid above, the Board declared a second interim dividend for the year ending 31 December 2020 of 1.95 pence per Ordinary share to be paid on 31 December 2020 to shareholders on the register on 4 December 2020. The Board has also declared a special dividend of 9.00 pence per Ordinary share, payable on 30 October 2020 to shareholders on the register on 9 October 2020. Details of the new variable dividend policy and the special dividend can be found in the Interim management report on page 6.

Further details regarding the total shareholder value for C Shares and Albion Income and Growth VCT PLC can be found at www.albion.capital/funds/AATG under the 'Financial Summary for Previous Funds' section.

Notes

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

Interim management report

Introduction

Since the announcement of our year end results to 31 December 2019, we have been facing unprecedented times caused by the ongoing disruption from the coronavirus (Covid-19) pandemic. It is unsurprising that our portfolio has been affected by this, and the Board has been working closely with the Manager to undertake a robust revaluation process to quantify the current effect of the pandemic on the portfolio. Pleasingly our portfolio has shown some resilience during this testing time, and although the period to 30 June 2020 showed a loss of 3.35% on opening net asset value, this generally compares favourably to quoted markets and other unquoted vehicles.

Performance and portfolio update

The net effect of the Board's portfolio revaluation has been an overall loss on investments of £2.2 million (30 June 2019: gain of £11.3 million; 31 December 2019: gain of £11.2 million). The key movements in the period include: a £2.7 million decrease in the valuation of Mirada Medical and a £0.5 million decrease in the valuation of DySIS Medical, both as a direct result of the impact of the coronavirus (Covid-19) pandemic on their operations; and a £0.5 million decrease in the value of our holding in the SVS Albion OLIM UK Equity Income Fund due to quoted market turmoil caused by the pandemic. Against this, there have been uplifts during the period, including a £2.8 million increase in the value of Quantexa, as a result of a new funding round led by an external party, and a £0.6 million uplift in Proveca, as a result of strong sales across Europe.

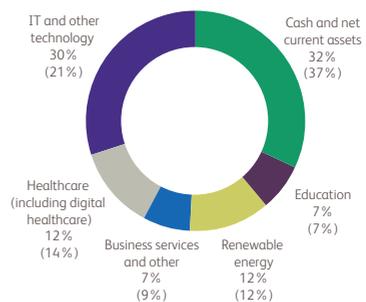
Investments in three new portfolio companies have been made during the period, all of which should result in further investment as the companies prove themselves and grow. These are:

- £1,632,000 into Concirrus, a software provider bringing real-time behavioural data analytics to the marine and transport insurance industries;
- £979,000 into Credit Kudos, a challenger credit bureau helping lenders optimise and automate their affordability and risk assessments; and
- £397,000 into TransFICC, a provider of a connectivity solution, connecting financial institutions with trading venues via a single Application Programming Interface ("API").

The Environmental, Social, and Governance ("ESG") credentials of the portfolio are regularly assessed. More recently, it has become apparent that some of the technology and healthcare investments have been positively impacted following the advent of Covid-19 earlier in the year in areas such as data security and the provision of telemedicine. Given the nature of venture capital investing, good Governance and transparency are encouraged and increasingly Environmental has been part of the portfolio, with investment in renewable energy being an example. Investing in companies with a positive Social impact is a core element of the Company's investment strategy in areas such as healthcare and education. Full details of the ESG credentials can be found on pages 15 & 16 of the Annual Report and Financial Statements for the year ended 31 December 2019.

Overall, the results for Albion Technology & General VCT PLC for the six months to 30 June 2020 show a total loss of 2.77 pence per share compared to a positive total return of 10.08 pence per share for the same period in the previous year. The net asset value per Ordinary share as at 30 June 2020 has fallen to 77.85 pence (30 June 2020: 85.15 pence; 31 December 2019: 82.58 pence) as a result of this loss and the payment of the first dividend of 2.00 pence per share on 30 June 2020.

Current portfolio sector allocation



Comparatives for 31 December 2019 are in brackets
Source: Albion Capital Group LLP

Special dividend

Following changes to the VCT rules and the investment policy, the Company continues to focus on investment in higher growth technology companies, which has led to increased volatility in returns. As detailed in the Annual Report, there were a number of significant and successful disposals during the year ended 31 December 2019, which has resulted in cash balances at 30 June 2020 of £26.0 million, which represented 32% of net assets. While it is important for a venture capital fund, which by its nature has illiquid investments, to hold sufficient cash to manage operating costs, to service dividends and buy backs and, most importantly, to make follow on and new investments when they arise, this must be balanced against meeting the requirement of a venture capital trust to be invested in qualifying investments. The holding of cash is not a qualifying investment for these purposes. As a result of these significant disposals and following a review of the foreseeable cash requirements of the Company, the Board is declaring a special dividend of 9.00 pence per share, payable on 30 October 2020 to shareholders on the register on 9 October 2020. Whilst this reduces the Company's assets, it provides a significant income return to shareholders and, for those that want to take it, an opportunity to re-invest the special dividend in the Company via the Dividend Reinvestment Scheme as described below.

The Company continues to offer a Dividend Reinvestment Scheme ("DRIS") whereby shareholders can elect to receive dividends in the form of new shares. For shareholders not currently in the DRIS, the Company is offering shareholders the option of a one-off election to have the special dividend reinvested into new shares through the DRIS. **Shareholders can take advantage of this by emailing AATGchair@albion.capital before midday on 7 October 2020.** To elect for the reinvestment, please ensure your email contains your full name, Shareholder Reference Number, telephone number and confirms you have read the DRIS terms and conditions. As outlined below, the Company has moved to a variable dividend, calculated as a percentage of the net asset value, which will, in the near term, reduce the absolute amount of dividend receivable per share (currently 4 pence per annum, 2 pence paid semi-annually). By re-investing the special dividend in the

capital of the Company, shareholders would be expected to broadly maintain the level of income they have been receiving from the Company by acquiring more shares in the Company. A number of the non-executive Directors and Albion employees have indicated that it is their intention to reinvest this dividend.

The terms and conditions for the DRIS can be found on the Company's webpage on the Manager's website at www.albion.capital/funds/AATG under the Fund reports section.

New dividend policy

The Board is aware of the importance of dividends to shareholders and it remains the Board's intention to continue to pay regular semi-annual dividends, as far as liquidity in the Company's portfolio permits. However, given the uncertainty that the current pandemic has created and the volatile nature of investing in small unquoted growth businesses, the Board considers it appropriate to move to a variable dividend policy targeting an annual dividend yield of around 5%, based on prevailing net asset value rather than at a fixed rate, as it has been in the past.

Semi-annual dividends will be paid, calculated as 2.5% of the most recently announced net asset value when the dividend is declared (in most cases this will be the net asset value announced in the Half-yearly Financial Report or in the Annual Report and Financial Statements). This change in dividend policy has the advantage of avoiding unsustainably high dividends if the net asset value falls, whilst rewarding shareholders more immediately if the net asset value rises.

This new dividend policy will take effect immediately and apply to the second interim dividend for the financial year ending 31 December 2020 and dividends declared thereafter. The Board therefore declares a second interim dividend for the financial year ending 31 December 2020 of 1.95 pence per share payable on 31 December 2020 to shareholders on the register on 4 December 2020.

Risks, uncertainties and prospects

The wide-reaching implications arising from the coronavirus (Covid-19) crisis is the key risk facing the Company, including its impact on the UK and Global economies and recent turmoil in the quoted companies'

Interim management report continued

market. There are also the potential implications of the UK's departure from the European Union which may adversely affect our underlying portfolio companies. The Manager is continually assessing the exposure to such risks for each portfolio company, and where possible appropriate actions are being implemented.

Overall investment risk, however, is mitigated through a variety of processes, including our policy of aiming to achieve balance in the portfolio through the inclusion of sectors that are less exposed to the business and consumer cycles.

Other principal risks and uncertainties remain unchanged and are as detailed on pages 16 and 17 of the Annual Report and Financial Statements for the year ended 31 December 2019. The impact of the coronavirus (Covid-19) pandemic has created heightened uncertainty but has not changed the nature of these risks. The Board considers that the processes for mitigating these risks remain appropriate.

Board composition

The Board announced on 9 July 2020 that, following a formal selection process, Margaret Payn had been appointed to the Board as a non-executive Director with effect from 3 August 2020. Margaret has extensive experience across the financial sector, having worked for a number of financial institutions. Most recently, she was appointed as a non-executive director of JPMorgan Mid Cap Investment Trust plc. We welcome Margaret to the Board as a good addition to our collective skills and experience, particularly as regards experience in private equity and closed-ended funds.

Corporate broker and share buy-backs

The Board was pleased to announce on 17 June 2020 the appointment of Panmure Gordon (UK) Limited as corporate broker.

The Board is pleased to announce the continuation of the share buyback policy, recognising its importance in providing liquidity for those who want to sell their shares. Buy-backs remain subject to the overall constraint that such purchases are in the Company's interest, including the maintenance of sufficient resources for investment in existing and new portfolio companies and the continued payment of dividends to shareholders.

It is the Board's intention that any buy-backs should be at around a 5 per cent. discount to net asset value, in so far as market conditions and liquidity permit.

Transactions with the Manager

Details of the transactions that took place with the Manager in the period can be found in note 5. Details of related party transactions can be found in note 11.

Outlook

Given the current uncertainty around the coronavirus (Covid-19) pandemic, the Board is pleased with the relative resilience of the Company's portfolio during the period and the positive uplifts of some portfolio companies. The priority of the Board is to give support to the existing portfolio where it is needed, whilst also taking advantage of new business ideas which are proving resilient to the current pandemic and hopefully for the longer term. We believe the portfolio is well positioned to continue to provide long term growth to shareholders and that our Manager is similarly positioned to exploit these opportunities.

Dr N E Cross

Chairman

14 September 2020

Responsibility statement

The Directors, Dr Neil Cross, Robin Archibald, Mary Anne Cordeiro, Margaret Payn, Modwenna Rees-Mogg and Patrick Reeve, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 June 2020 we, the Directors of the Company, confirm that to the best of our knowledge:

- (a) the condensed set of Financial Statements, which has been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as required by DTR 4.2.4R;
- (b) the Interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- (c) the Interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

This Half-yearly Financial Report has not been audited or reviewed by the Auditor.

For and on behalf of the Board

Dr N E Cross
Chairman
14 September 2020

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 June 2020			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Quantexa Limited	3.0	773	5,238	6,011	2,809
Radnor House School (TopCo) Limited	14.8	2,710	1,793	4,503	(225)
Chonais River Hydro Limited	15.7	2,169	1,977	4,146	25
Proveca Limited	7.2	1,184	2,201	3,385	565
Black Swan Data Limited	5.7	2,378	–	2,378	–
Gharagain River Hydro Limited	18.5	1,526	744	2,270	58
Egress Software Technologies Limited	2.2	765	1,349	2,114	–
G. Network Communications Limited	3.3	337	1,491	1,828	–
Concirus Limited	3.4	1,632	–	1,632	–
Oxsensis Limited	16.3	1,886	(286)	1,600	(449)
The Street by Street Solar Programme Limited	8.1	895	595	1,490	(46)
Cantab Research Limited (T/A Speechmatics)	3.7	1,486	–	1,486	–
Elliptic Enterprises Limited	1.8	1,402	–	1,402	–
MHS 1 Limited	22.5	1,565	(167)	1,398	(162)
Regenerco Renewable Energy Limited	7.9	822	483	1,305	(47)
memsstar Limited	30.1	581	683	1,264	53
Oviva AG	3.5	1,058	165	1,223	(218)
Convertr Media Limited	6.9	1,105	29	1,134	5
The Ewell (Harley Street) Limited	8.3	1,143	(104)	1,039	(104)
Panaseer Limited	3.2	752	281	1,033	–
Credit Kudos Limited	4.5	979	–	979	–
MPP Global Solutions Limited	2.9	950	–	950	–
Alto Prodotto Wind Limited	6.9	618	299	917	2
Beddlestead Limited	9.8	1,200	(300)	900	(300)
The Q Garden Company Limited	33.4	934	(98)	836	(96)
SBD Automotive Limited	2.7	410	421	831	34
Mirada Medical Limited	12.9	1,321	(638)	683	(2,745)
Locum's Nest Limited	9.8	675	(22)	653	12
InCrowd Sports Limited	5.0	636	(14)	622	(198)
Aridhia Informatics Limited	4.9	950	(354)	596	470
DySIS Medical Limited	4.7	2,589	(2,032)	557	(546)
Clear Review Limited	2.9	367	92	459	92
Premier Leisure (Suffolk) Limited	25.8	454	1	455	(52)
Albion Investment Properties Limited	31.8	434	12	446	13
MyMeds&Me Limited	4.6	439	(21)	418	2
Avora Limited	2.2	400	–	400	–
TransFICC Limited	2.6	397	–	397	–
Phrasee Limited	1.9	392	–	392	–
Koru Kids Limited	1.6	345	36	381	(156)
Limitless Technology Limited	2.5	380	–	380	–
Erin Solar Limited	15.7	440	(61)	379	(44)
AVESI Limited	8.0	259	106	365	(22)
Cisiv Limited	7.8	695	(361)	334	(67)
OmPrompt Holdings Limited	3.3	306	(10)	296	–
uMotif Limited	1.1	255	34	289	104
ePatient Network Limited (T/A Raremark)	2.4	230	53	283	(27)

Portfolio of investments continued

Fixed asset investments	% voting rights	As at 30 June 2020			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Arecor Limited	1.2	220	–	220	–
Healios Limited	0.7	216	–	216	–
Harvest AD Limited	0.0	210	4	214	(11)
Abcodia Limited	3.2	549	(355)	194	–
Zift Channel Solutions Inc.	1.6	881	(712)	169	(333)
Greenenerco Limited	3.1	95	68	163	(1)
Innovation Broking Group Limited	6.0	60	96	156	22
Imandra Inc.	1.6	151	–	151	–
Mi–Pay Group plc	19.6	135	–	135	–
Forward Clinical Limited (T/A Pando)	1.6	196	(131)	65	(50)
Symetrica Limited	0.3	79	(16)	63	(12)
Sandcroft Avenue Limited (T/A Hussle)	2.1	427	(387)	40	(381)
Palm Tree Technology Limited	0.5	320	(287)	33	–
Elements Software Limited	3.3	19	(19)	–	–
Total fixed asset investments		46,782	11,876	58,658	(2,026)

Current asset investments	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
SVS Albion OLIM UK Equity Income Fund	2,264	(602)	1,662	(535)
Total current asset investments	2,264	(602)	1,662	(535)

* As adjusted for additions and disposals during the period.

Investment realisations in the period to 30 June 2020	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
<u>Disposals:</u>					
TWCL Limited	1,502	1,406	1,402	(100)	(4)
<u>Loan stock repayments and other:</u>					
memsstar Limited	64	64	64	–	–
Alto Prodotto Wind Limited	15	23	23	8	–
Greenenerco Limited	3	4	4	1	–
Escrow adjustments	–	–	341	341	341
Total	1,584	1,497	1,834	250	337

Unrealised losses on fixed asset investments	(2,026)
Realised gains on fixed asset investments	337
Unrealised losses on current asset investments	(535)
Total losses on investments as per Income statement	(2,224)

Condensed income statement

	Note	Unaudited six months ended 30 June 2020			Unaudited six months ended 30 June 2019			Audited year ended 31 December 2019		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(2,224)	(2,224)	–	11,297	11,297	–	11,170	11,170
Investment income	4	348	–	348	694	–	694	1,416	–	1,416
Investment management fee	5	(260)	(779)	(1,039)	(250)	(752)	(1,002)	(529)	(1,587)	(2,116)
Other expenses		(163)	–	(163)	(153)	–	(153)	(306)	–	(306)
(Loss)/profit on ordinary activities before tax		(75)	(3,003)	(3,078)	291	10,545	10,836	581	9,583	10,164
Tax (charge)/credit on ordinary activities		–	–	–	(24)	24	–	(62)	62	–
(Loss)/profit and total comprehensive income attributable to shareholders		(75)	(3,003)	(3,078)	267	10,569	10,836	519	9,645	10,164
Basic and diluted (loss)/return per share (pence)*	7	(0.07)	(2.70)	(2.77)	0.25	9.83	10.08	0.47	8.81	9.28

* adjusted for treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2019 and the audited statutory accounts for the year ended 31 December 2019.

The accompanying notes on pages 15 to 19 form an integral part of this Half-yearly Financial Report.

The total column of this Condensed 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.

Condensed balance sheet

Note	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Fixed asset investments	58,658	81,090	57,468
Current assets			
Current asset investments	1,662	2,152	2,193
Trade and other receivables less than one year	132	838	527
Cash and cash equivalents	26,200	11,879	32,468
	27,994	14,869	35,188
Total assets	86,652	95,959	92,656
Payables: amounts falling due within one year			
Trade and other payables less than one year	(659)	(636)	(634)
Total assets less current liabilities	85,993	95,323	92,022
Equity attributable to equity holders			
Called up share capital	8	1,287	1,292
Share premium		35,246	34,642
Capital redemption reserve		42	28
Unrealised capital reserve		11,234	27,436
Realised capital reserve		23,038	10,763
Other distributable reserve		15,146	21,162
Total equity shareholders' funds	85,993	95,323	92,022
Basic and diluted net asset value per share (pence)*	77.85	85.15	82.58

*excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2019 and the audited statutory accounts for the year ended 31 December 2019.

The accompanying notes on pages 15 to 19 form an integral part of this Half-yearly Financial Report.

These Financial Statements were approved by the Board of Directors and authorised for issue on 14 September 2020 and were signed on its behalf by

Dr N E Cross

Chairman

Company number: 04114310

Condensed statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
As at 1 January 2020	1,296	34,949	28	13,708	23,567	18,474	92,022
Loss and total comprehensive income for the period	-	-	-	(2,561)	(442)	(75)	(3,078)
Transfer of previously unrealised losses on disposal of investments	-	-	-	87	(87)	-	-
Purchase of own shares for cancellation	(14)	-	14	-	-	(1,052)	(1,052)
Issue of equity	4	314	-	-	-	-	318
Cost of issue of equity	-	(16)	-	-	-	-	(16)
Dividends paid	-	-	-	-	-	(2,201)	(2,201)
As at 30 June 2020	1,287	35,246	42	11,234	23,038	15,146	85,993
As at 1 January 2019	1,187	26,621	28	16,697	10,933	24,431	79,897
Return/(loss) and total comprehensive income for the period	-	-	-	11,274	(705)	267	10,836
Transfer of previously unrealised gains on disposal of investments	-	-	-	(535)	535	-	-
Purchase of own shares for treasury	-	-	-	-	-	(1,299)	(1,299)
Issue of equity	105	8,225	-	-	-	-	8,330
Cost of issue of equity	-	(204)	-	-	-	-	(204)
Dividends paid	-	-	-	-	-	(2,237)	(2,237)
As at 30 June 2019	1,292	34,642	28	27,436	10,763	21,162	95,323
As at 1 January 2019	1,187	26,621	28	16,697	10,933	24,431	79,897
Return and total comprehensive income for the year	-	-	-	1,387	8,258	519	10,164
Transfer of previously unrealised gains on disposal of investments	-	-	-	(4,376)	4,376	-	-
Purchase of shares for treasury	-	-	-	-	-	(2,016)	(2,016)
Issue of equity	109	8,547	-	-	-	-	8,656
Cost of issue of equity	-	(219)	-	-	-	-	(219)
Dividends paid	-	-	-	-	-	(4,460)	(4,460)
As at 31 December 2019	1,296	34,949	28	13,708	23,567	18,474	92,022

*These reserves amount to £38,184,000 (30 June 2019: £31,925,000; 31 December 2019: £42,041,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 June 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Cash flow from operating activities			
Loan stock income received	269	739	1,360
Dividend income received	82	140	183
Deposit interest received	51	21	56
Investment management fee paid	(996)	(944)	(2,079)
Other cash payments	(180)	(159)	(291)
Corporation tax paid	–	–	–
Net cash flow from operating activities	(774)	(203)	(771)
Cash flow from investing activities			
Purchase of current asset investments	(4)	–	–
Purchase of fixed asset investments	(3,497)	(2,728)	(7,022)
Disposal of fixed asset investments	952	3,060	31,142
Net cash flow from investing activities	(2,549)	332	24,120
Cash flow from financing activities			
Issue of share capital	–	7,804	7,804
Cost of issue of equity	–	(2)	(17)
Dividends paid	(1,898)	(1,895)	(3,794)
Purchase of own shares (including costs)	(1,047)	(1,299)	(2,016)
Net cash flow from financing activities	(2,945)	4,608	1,977
(Decrease)/increase in cash and cash equivalents	(6,268)	4,737	25,326
Cash and cash equivalents at start of period	32,468	7,142	7,142
Cash and cash equivalents at end of period	26,200	11,879	32,468

Notes to the condensed Financial Statements

1. Basis of preparation

The condensed Financial Statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 ("FRS 102"), Financial Reporting Standard 104 – Interim Financial Reporting ("FRS 104"), and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by The Association of Investment Companies ("AIC"). The Financial Statements have been prepared on a going concern basis.

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

This Half-yearly Financial Report has not been audited, nor has it been reviewed by the auditor pursuant to the FRC's guidance on Review of interim financial information.

Company information can be found on page 2.

2. Accounting policies

Fixed and current asset investments

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

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

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

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

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

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

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

Current assets and payables

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

Notes to the condensed Financial Statements continued

2. Accounting policies (continued)

Investment income

Equity income

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

Unquoted loan stock and other preferred income

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

Bank interest income

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

Investment management fees, performance incentive fees and expenses

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

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

Taxation

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

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

Reserves

Share premium

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

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

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

Other distributable reserve

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

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

Dividends

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

Segmental reporting

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

Notes to the condensed Financial Statements continued

3. (Losses)/gains on investments

	Unaudited six months ended 30 June 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Unrealised (losses)/gains on fixed asset investments	(2,026)	11,044	1,115
Unrealised (losses)/gains on current asset investments	(535)	230	272
Realised gains on fixed asset investments	337	23	9,783
	<u>(2,224)</u>	<u>11,297</u>	<u>11,170</u>

4. Investment income

	Unaudited six months ended 30 June 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Loan stock interest and other fixed returns	269	507	1,105
UK dividend income	30	167	253
Bank deposit interest	49	20	58
	<u>348</u>	<u>694</u>	<u>1,416</u>

5. Investment management fee

	Unaudited six months ended 30 June 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Investment management fee charged to revenue	260	250	529
Investment management fee charged to capital	779	752	1,587
	<u>1,039</u>	<u>1,002</u>	<u>2,116</u>

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on pages 13 and 14 of the Annual Report and Financial Statements for the year ended 31 December 2019.

During the period, services for a total value of £1,039,000 (30 June 2019: £1,002,000; 31 December 2019: £2,116,000) were purchased by the Company from Albion Capital Group LLP. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services was £561,000 (30 June 2019: £539,000; 31 December 2019: £518,000). The total annual running costs of the Company are capped at an amount equal to 2.75 per cent. of the Company's net assets, with any excess being met by Albion Capital by way of a reduction in management fees. During the period, the management fee was reduced by £37,000 as a result of this cap (30 June 2019: £88,000; 31 December 2019: £136,000).

During the period, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (30 June 2019 and 31 December 2019: nil).

Albion Capital Group LLP, the Manager, its partners and staff (including Patrick Reeve), hold 1,262,130 Ordinary shares in the Company.

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period to 30 June 2020, fees of £99,000 attributable to the investments of the Company were received pursuant to these arrangements (30 June 2019: £123,000; 31 December 2019: £241,000).

Notes to the condensed Financial Statements continued

5. Investment management fee (continued)

During the period, £4,000 (30 June 2019 and 31 December 2019: £nil) was invested in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") as part of the Company's management of surplus liquid funds. To avoid double charging, Albion agreed to reduce its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM. This resulted in a further reduction of the management fee of £6,000 (30 June 2019: £8,000; 31 December 2019: £16,000).

6. Dividends

	Unaudited six months ended 30 June 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Dividend of 2.00p per share paid on 28 June 2019	–	2,237	2,237
Dividend of 2.00p per share paid on 31 December 2019	–	–	2,223
Dividend of 2.00p per share paid on 30 June 2020	2,201	–	–
	2,201	2,237	4,460

The Directors have declared a dividend of 1.95 pence per Ordinary share (total approximately £2,154,000) payable on 31 December 2020, to shareholders on the register on 4 December 2020. The Board has also declared a special dividend of 9.00 pence per Ordinary share (total approximately £10,052,000), payable on 30 October 2020 to shareholders on the register on 9 October 2020. Details of the new variable dividend policy and special dividend can be found in the Interim management report on page 6.

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

	Unaudited six months ended 30 June 2020		Unaudited six months ended 30 June 2019		Audited year ended 31 December 2019	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Ordinary shares						
(Loss)/return attributable to equity shares (£'000)	(75)	(3,003)	267	10,569	519	9,645
Weighted average shares in issue	110,973,597		107,475,312		109,562,226	
(Loss)/return per Ordinary share (pence)	(0.07)	(2.70)	0.25	9.83	0.47	8.81

The weighted average number of shares is calculated after adjusting for treasury shares of 18,196,470 (30 June 2019: 17,279,470; 31 December 2019: 18,196,470).

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

8. Share capital

	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
Allotted, called up and fully paid shares of 1 penny each			
Number of shares	128,657,872	129,232,525	129,624,437
Nominal value of allotted shares (£'000)	1,287	1,292	1,296
Voting rights (number of shares net of treasury shares)	110,461,402	111,953,055	111,427,967

During the period to 30 June 2020 the Company purchased 1,387,000 Ordinary shares (nominal value of £13,870) for cancellation at a cost of £1,052,000 including stamp duty. The total number of Ordinary shares held in treasury as at 30 June 2020 was 18,196,470 (30 June 2019: 17,279,470; 31 December 2019: 18,196,470) representing 14.1 per cent. of the Ordinary shares in issue as at 30 June 2020.

Notes to the condensed Financial Statements continued

8. Share capital (continued)

Under the terms of the Dividend Reinvestment Scheme, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 June 2020:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
30 June 2020	421,235	4	75.37	302	72.00

9. Commitments and contingencies

As at 30 June 2020, the Company had no financial commitments in respect of investments (30 June 2019 and 31 December 2019: £nil).

There are no contingencies or guarantees of the Company as at 30 June 2020 (30 June 2019 and 31 December 2019: £nil).

10. Post balance sheet events

Since 30 June 2020, the Company has completed the following material transactions:

- Investment of £1,967,000 in Quantexa Limited;
- Investment of £1,082,000 in Oxsensis Limited;
- Investment of £1,020,000 in a new portfolio company, which provides a cloud platform that enables corporates to purchase digital gift cards and to distribute them to employees and customers;
- Investment of £426,000 in uMotif Limited; and
- Investment of £288,000 in Phrasee Limited;

11. Related party transactions

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

12. Going concern

The Board has conducted a detailed assessment of the Company's ability to meet its liabilities as they fall due. Cash flow forecasts are updated and discussed quarterly at Board level and have been stress tested to allow for the forecasted impact of coronavirus (Covid-19). The Board has revisited and updated their assessment of liquidity risk and concluded that it remains unchanged since the last Annual Report and Financial Statements. Further details can be found on page 66 of the Annual Report and Financial Statements for the year ended 31 December 2019.

The portfolio of investments is diversified in terms of sector, and the major cash outflows of the Company (namely investments, dividends and share buy-backs) are within the Company's control. Accordingly, after making diligent enquiries, the Directors have a reasonable expectation that the Company has adequate cash and liquid resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing this Half-yearly Financial Report and this is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council.

13. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 434 of the Companies Act 2006 for the periods ended 30 June 2020 and 30 June 2019 and is unaudited. The information for the year ended 31 December 2019, does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

14. Publication

This Half-yearly Financial Report is being sent to shareholders and copies will be made available to the public at the registered office of the Company, Companies House, the National Storage Mechanism and also electronically at www.albion.capital/funds/AATG, where the Report can be accessed via a link in the 'Financial Reports and Circulars' section.



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