

Kings Arms Yard VCT PLC



Half-yearly Financial Report
(unaudited) for the
six months to 30 June 2021

2021



AlbionCapital



Contents

Page

- 2 Company information
- 3 Investment policy and financial calendar
- 4 Financial highlights
- 5 Interim management report
- 8 Responsibility statement
- 9 Portfolio of investments
- 12 Condensed income statement
- 13 Condensed balance sheet
- 14 Condensed statement of changes in equity
- 15 Condensed statement of cash flows
- 16 Notes to the condensed Financial Statements

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



Company information

Company number

03139019

Directors

F Wollocombe, Chairman
T W Chambers
M G Fiennes

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
Bridgewater 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
Hamilton House
1 Temple Avenue
London, EC4Y 0HA

Legal adviser

Bird & Bird LLP
12 New Fetter Lane
London, EC4A 1JP

Depository

Ocorian Depository (UK) Limited
Level 5, 20 Fenchurch Street
London, EC3M 3BY

Kings Arms Yard 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 5858 (UK national rate call, lines are open 8.30am – 5.30pm; Mon-Fri; calls are recorded)

Website: www.investorcentre.co.uk

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

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

Financial adviser information

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

Email: info@albion.capital

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

Website: www.albion.capital

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

Investment policy

Kings Arms Yard VCT PLC is a Venture Capital Trust and the investment policy is intended to produce a regular and predictable dividend stream with an appreciation in capital value.

Investment policy

The Company will invest in a broad portfolio of higher growth businesses across a variety of sectors of the UK economy including higher risk technology companies. 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 both in terms of sector and stage of maturity of company.

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

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within venture capital trust qualifying industry sectors using a mixture of securities. The maximum amount which the Company will invest in a single portfolio company is 15 per cent. of the Company's assets at cost, thus ensuring a spread of investment risk. The value of an individual investment may increase over time as a result of trading progress and it is possible that it may grow in value to a point where it represents a significantly higher proportion of total assets prior to a realisation opportunity being available.

The Company's maximum exposure in relation to gearing is restricted to the amount equal to its adjusted capital and reserves.

Financial calendar

Record date for second interim dividend and special dividend	1 October 2021
Payment date of second interim dividend and special dividend	29 October 2021
Financial year end	31 December

Financial highlights

	Unaudited six months ended 30 June 2021 (pence per share)	Unaudited six months ended 30 June 2020 (pence per share)	Audited year ended 31 December 2020 (pence per share)
Opening net asset value	21.84	22.02	22.02
Capital return/(loss)	3.00	(1.31)	0.59
Revenue (loss)/return	(0.03)	0.15	0.32
Total return/(loss)	2.97	(1.16)	0.91
Dividends paid	(0.60)	(0.60)	(1.11)
Impact from share capital movements	(0.22)	0.04	0.02
Net asset value	23.99	20.30	21.84

Shareholder return and shareholder value

(pence per share)

Shareholder value from launch to 1 January 2011:

Subscription price per share at launch	100.00
Total dividends paid to 1 January 2011	58.66
Decrease in net asset value	(83.40)

Total shareholder value to 1 January 2011

75.26

Shareholder return from 1 January 2011 to 30 June 2021 (period that Albion Capital has been investment manager):

Total dividends paid	10.78
Increase in net asset value	7.39

Total shareholder return from 1 January 2011 to 30 June 2021

18.17

Shareholder value since launch:

Total dividends paid to 30 June 2021	69.44
Net asset value as at 30 June 2021	23.99

Total shareholder value as at 30 June 2021

93.43

The Directors have declared a second dividend of 0.60 pence per share for the year ending 31 December 2021, which will be paid on 29 October 2021 to shareholders on the register on 1 October 2021. The Board has also declared a special dividend of 1.14 pence per share, also payable on 29 October 2021 to shareholders on the register on 1 October 2021. Further details can be found in the Interim management report on page 5.

The above financial summary is for the Company, Kings Arms Yard VCT PLC only. Details of the financial performance of the various Quester, SPARK and Kings Arms Yard VCT 2 PLC companies, which have been merged into the Company, can be found at www.albion.capital/funds/KAY under the 'Financial summary for previous funds' section.

Interim management report

Introduction

The Company has had a strong six months to 30 June 2021, with a total return of 2.97 pence per share, and the net asset value ("NAV") increasing to 23.99 pence per share, representing a 13.6% return on opening NAV (after adjusting for the dividend paid). Despite the challenging period for many companies as a result of the Coronavirus pandemic, our portfolio companies are truly showing how valuable their businesses are to their customers and this has been reflected by the strong return for the period.

Portfolio review

Total gain on investments for the six month period was £14.4 million (30 June 2020: loss of £4.3 million). Hugely successful externally led fundraisings for Quantexa (Series D) and Oviva (Series C) resulted in a combined uplift of £6.0 million to the portfolio. In addition to this, Proveca continues to trade well both within the UK and the EU resulting in an uplift in valuation of £1.3 million. In addition, one of our portfolio companies, Arecor Therapeutics, listed on the AIM stock exchange during the period and led to an increase in value of £0.3 million. It is very reassuring and pleasing to see many of our portfolio companies trading strongly as we navigate out of the pandemic.

There have been write-downs in our portfolio, the largest being Avora (£0.3 million) and Abcodia (£0.3 million), both due to growth slower than hoped.

There have also been a number of successful exits during the period which generated proceeds of £19.8 million. The bulk of the exit proceeds came from the sale of the Company's three care homes for the elderly; Active Lives Care, Ryefield Court Care, and Shinfield Lodge Care. The first investments in the homes were made over 5 years ago and the sale generated proceeds of £14.7 million which represents a 2.4x return on cost (including interest received), an excellent result for the Company. The homes were built from nothing (greenfield sites) into mature businesses. During the period, the Company also completed the sale of OmPrompt Holdings and Perpetuum generating proceeds of £3.2 million and

£1.4 million respectively. Since the period end, the Company has sold its holdings in Elateral and Antenna.

Further details of the portfolio of investments and investment realisations can be found on pages 9 to 11.

Dividends and results

In line with our dividend policy targeting around 5% of NAV per annum the Company paid a dividend of 0.60 pence per share during the period to 30 June 2021 (30 June 2020: 0.60 pence per share). The Company will pay a second dividend for the financial year ending 31 December 2021 of 0.60 pence per share on 29 October 2021 to shareholders on the register on 1 October 2021, being 2.5% of the 30 June 2021 NAV.

As a result of the significant disposals, in particular the care homes, made by the Company during the period the Board are pleased to declare a special dividend of 1.14 pence per share. This will be paid alongside the second interim dividend on 29 October 2021 to shareholders on the register on 1 October 2021.

This will bring the total dividends paid for the year ending 31 December 2021 to 2.34 pence per share, which equates to a 10.7% yield on the opening NAV of 21.84 pence per share.

Dividend Reinvestment Scheme ("DRIS")

The Company continues to offer a 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 to elect for a one-off sign up to have this combined special dividend and second interim dividend reinvested into new shares through the DRIS. Shareholders can take advantage of this by emailing KAYchair@albion.capital before midday on 14 October 2021. 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. Shareholders can also elect for the DRIS by logging into their account at www.investorcentre.co.uk. Please note that shareholders who hold their shares in CREST will need to contact their CREST service provider.

Interim management report continued

By re-investing the combined special dividend and second interim dividend in the capital of the Company, shareholders would be expected to broadly maintain the level of relative income they have been receiving from the Company under the variable dividend policy. 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/KAY under the Fund reports section.

Investment activity

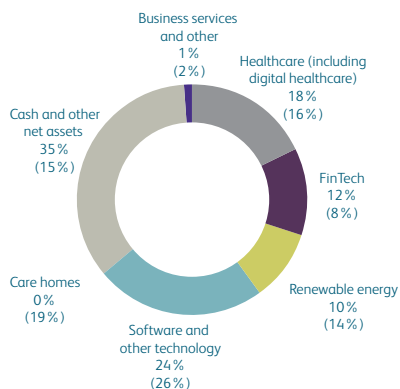
During the period the Company has invested £5.0 million into new and existing portfolio companies, with new investments comprising:

- £0.9 million (Albion VCTs: £6.8 million) in Threadneedle Software Holdings Limited (trading as Solidatus), a provider of data lineage software to enterprise customers in regulated sectors, which allows them to rapidly discover, visualise, catalogue and understand how data flows through their systems;
- £0.8 million (Albion VCTs: £3.9 million) in Gravitee Topco Limited (trading as Gravitee.io), an API management platform;
- £0.8 million (Albion VCTs: £3.6 million) in NuvoAir AB, a provider of digital therapeutics and decentralised clinical trials for respiratory conditions;
- £0.6 million (Albion VCTs: £2.4 million) in Brytlyt Limited, a GPU database software provider; and
- £0.3 million (Albion VCTs: £1.5 million) in Accelex Technology Limited (trading as Accelex), a provider of data extraction and analytics technology for private capital markets.

A further £1.6 million was invested in existing portfolio companies, the largest being £0.6 million into uMotif, a patient engagement and data capture platform for use in real world and observational research, and £0.5 million into Healios to continue providing psychological care to children and adolescents using a family centric approach.

Portfolio sector allocation

The following pie chart outlines the different sectors in which the Company's assets, at carrying value, were invested at 30 June 2021.



Comparatives for 31 December 2020 are in brackets
Source: Albion Capital Group LLP

Cancellation of share premium and capital redemption reserve

Given the current amount of distributable reserves and the announcement of the special dividend to be paid on 29 October 2021, by way of a General Meeting, the Board is proposing a special resolution to increase the Company's distributable reserves through a reduction of the Company's share premium account and capital redemption reserve, subject to shareholder approval and confirmation by the Court. This procedure is relatively common amongst investment companies, and the proposed resolution would create additional distributable reserves of approximately £60 million.

It is the Board's policy to pay regular dividends to shareholders as the Directors believe that this is a key source of shareholder value. The Company also has a policy of buying back its own shares for cancellation or for holding as treasury shares, when such purposes are considered to be to the advantage of the Company and shareholders as a whole. The additional distributable reserves will facilitate those objectives.

Interim management report continued

The General Meeting will be held at noon on 25 November 2021 at the Company's registered office, 1 Benjamin Street, London, EC1M 5QL. The General Meeting will be live streamed for shareholders and registration details will be available at www.albion.capital/funds/KAY prior to the Meeting.

The Board has carefully considered the business to be approved at the General Meeting and recommends shareholders to vote in favour of the resolution which will be proposed.

Further details of the General Meeting can be found in the Circular accompanying this Half-yearly Financial Report.

Share buy-backs

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

Transactions with the Manager

Details of transactions with the Manager for the reporting period can be found in note 4. Details of related party transactions can be found in note 10.

Risks and uncertainties

The longer term implications of the Covid-19 crisis is the key risk facing the Company, including its impact on the UK and Global economies. The risk of potential implications of the UK's departure from the European Union adversely affecting our underlying portfolio companies appears to be reducing. The Manager is continually assessing the exposure to such risks for each portfolio company, and where possible appropriate mitigating actions are being taken.

Other risks and uncertainties remain unchanged as set out on pages 17 and 18 of the Annual Report and Financial Statements for the year ended 31 December 2020.

Albion VCTs Top Up Offers 2020/21

As announced in the Annual Report and Financial Statements for the year ended 31 December 2020, the Board was pleased to close the 2020/21 Offer fully subscribed having raised £15 million.

The proceeds are being used to provide support to our existing portfolio companies and to enable us to take advantage of new and exciting investment opportunities as they arise, five of which are detailed above. Details on the share allotments during the period can be found in note 8.

Shareholder seminar

The Board is pleased to report that the current intention of the Manager, Albion Capital, is to host a physical rather than virtual shareholder seminar this year on 12 November 2021, in central London with the venue to be confirmed. This will be dependent on government guidelines and any changes thereof, and we will keep shareholders informed as the date approaches. The Board and Manager are keen to interact with shareholders and look forward to sharing with you further portfolio updates, as well as answering any questions.

More details will shortly be available on the Albion Capital website: www.albion.capital.

Prospects

The Board is extremely encouraged by the performance of the portfolio as a whole and the prospects for its portfolio companies. The dynamic pipeline of new investments is strong, demonstrated by the number of new investments in the past six months, and despite a clear shift to digital adoption, valuation will remain important. We therefore believe that the Company's portfolio continues to have the potential to deliver attractive returns to shareholders over the long term.

Fiona Wollocombe

Chairman

17 September 2021

Responsibility statement

The Directors, Fiona Wollocombe, Thomas Chambers and Martin Fiennes, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 June 2021 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

Fiona Wollocombe
Chairman
17 September 2021

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 June 2021			Change in value for the period ⁽²⁾ £'000
		Cost ⁽¹⁾ £'000	Cumulative movement in value £'000	Value £'000	
Proveca Limited	15.1	2,259	7,276	9,535	1,342
Quantexa Limited	1.4	1,329	7,771	9,100	4,800
Egress Software Technologies Limited	4.8	1,644	4,074	5,718	366
Antenova Limited	28.7	1,733	3,517	5,250	2,802
Chonais River Hydro Limited	6.5	2,428	853	3,281	(7)
Oviva AG	1.9	659	1,415	2,074	1,231
MyMeds&Me Limited	15.4	1,459	430	1,889	501
The Street by Street Solar Programme Limited	10.0	1,040	785	1,825	(140)
Sift Limited	42.1	2,291	(569)	1,722	537
Phrasee Limited	2.8	648	1,041	1,689	815
Black Swan Data Limited	4.5	1,293	310	1,603	649
Regenerco Renewable Energy Limited	9.8	988	585	1,573	(110)
Academia Inc.	2.8	351	1,172	1,523	566
Alto Prodotto Wind Limited	11.1	829	515	1,344	(69)
The Ewell Group Limited	3.4	671	629	1,300	460
Healios Limited	2.6	684	416	1,100	(54)
Dragon Hydro Limited	17.2	655	419	1,074	(12)
uMotif Limited	3.7	979	47	1,026	–
Threadneedle Software Holdings Limited (T/A Solidatus)	1.5	917	–	917	–
Gravitee Topco Limited (T/A Gravitee.io)	3.8	833	–	833	–
Gharagin River Hydro Limited	5.0	620	180	800	(2)
NuvoAir AB	2.5	763	–	763	–
Panaseer Limited	1.4	510	243	753	(14)
Symetrica Limited	3.7	685	19	704	–
Cantab Research Limited (T/A Speechmatics)	1.1	460	227	687	227
AVESI Limited	14.8	484	157	641	(62)
Arecor Therapeutics PLC (previously Arecor Limited)	0.9	304	266	570	267
Brytlyt Limited	3.4	566	–	566	–
MPP Global Solutions Limited	1.7	550	–	550	–
Convertr Media Limited	3.0	482	17	499	2
Elliptic Enterprises Limited	0.6	488	9	497	9
Beddlestead Limited	5.1	606	(150)	456	55
Limitless Technology Limited	1.4	383	38	421	–
Seldon Technologies Limited	2.1	418	–	418	–
Greenenerco Limited	8.6	244	156	400	(20)
Locum's Nest Limited	3.6	375	23	398	46
Koru Kids Limited	1.6	345	36	381	–
Aridhia Informatics Limited	2.1	409	(36)	373	73
InCrowd Sports Limited	2.1	272	98	370	103
The Voucher Market Limited (T/A WeGift)	0.9	361	–	361	–
Elateral Group Limited	47.9	5,488	(5,138)	350	(57)
Accelex Technology Limited (T/A Accelex)	3.6	323	–	323	–
Innovation Broking Group Limited	4.5	45	278	323	186

Portfolio of investments continued

Fixed asset investments	% voting rights	As at 30 June 2021			Change in value for the period ⁽²⁾ £'000
		Cost ⁽¹⁾ £'000	Cumulative movement in value £'000	Value £'000	
Concirus Limited	0.6	308	–	308	–
Imandra Inc.	1.0	91	187	278	187
Cisiv Limited	3.1	278	(11)	267	88
Celoxica Holdings plc	4.4	513	(255)	258	–
Anthropics Technology Limited	13.8	19	214	233	(110)
Xperiome Limited (previously Raremark)	2.4	322	(121)	201	(176)
Avora Limited	2.8	510	(317)	193	(317)
Credit Kudos Limited	0.9	185	–	185	–
TransFICC Limited	1.0	156	–	156	–
uMedeor Limited (T/A uMed)	1.4	152	–	152	–
Erin Solar Limited	5.7	160	(31)	129	(9)
Zift Channel Solutions Inc.	0.6	321	(231)	90	31
Harvest AD Limited ⁽ⁱ⁾	–	70	(1)	69	(2)
Sandcroft Avenue Limited (T/A Hussle)	5.1	1,026	(967)	59	(81)
Xention Limited	10.6	38	(28)	10	–
Abcodia Limited	4.3	761	(755)	6	(280)
Forward Clinical Limited (T/A Pando)	1.5	184	(179)	5	(46)
Other holdings (3 companies)		2	1	3	–
Mirada Medical Limited	1.8	390	(390)	–	(192)
Total fixed asset investments		44,357	24,225	68,582	13,583

- (1) Amounts shown as cost represent the acquisition cost in the case of investments originally made by the Company and/or the valuation attributed to the investments acquired from Quester VCT 2 plc and Quester VCT 3 plc at the date of the merger in 2005, and those acquired from Kings Arms Yard VCT 2 PLC at the merger on 30 September 2011, plus any subsequent acquisition costs, as reduced in certain cases by amounts written off as representing an impairment value.
- (2) The column shows the movement in the period from the opening balance as at 1 January 2021 to the closing balance as at 30 June 2021 after adjustments for additions and disposals.
- (i) Early stage investment of convertible loan stock.

Portfolio of investments continued

Realisations in the period to 30 June 2021	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Realised gain/(loss) on cost £'000	Gain/(loss) on opening or acquired value £'000
<u>Disposals:</u>					
Active Lives Care Limited	4,395	7,971	7,839	3,444	(132)
Ryefield Court Care Limited	3,070	5,814	5,753	2,683	(61)
OmPrompt Holdings Limited	1,377	3,049	3,152	1,775	103
Perpetuum Limited	3,136	1,254	1,413	(1,723)	159
Shinfield Lodge Care Limited	535	1,162	1,138	603	(24)
SBD Automotive Limited	173	361	360	187	(1)
<u>Loan stock repayments and other:</u>					
Alto Prodotto Wind Limited	27	40	40	13	–
Sift Limited	16	16	16	–	–
Greenenerco Limited	7	11	11	4	–
Escrow adjustments and other*	23	2	102	79	100
Total	12,759	19,680	19,824	7,065	144

*These comprise fair value movements on deferred consideration on previously disposed investments, release of the G. Network Communications discount which is treated as a financing transaction, and expenses which are incidental to the purchase or disposal of an investment.

Total change in value of investments for the period	13,583
Movement in loan stock accrued interest	628
Unrealised gains on fixed asset investments sub-total	14,211
Realised gains in current period	144
Total gains on investments as per Income statement	14,355

Condensed income statement

	Note	Unaudited six months ended 30 June 2021			Unaudited six months ended 30 June 2020			Audited year ended 31 December 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	2	–	14,355	14,355	–	(4,286)	(4,286)	–	3,333	3,333
Investment income	3	646	–	646	917	–	917	1,922	–	1,922
Investment management fee	4	(225)	(675)	(900)	(185)	(554)	(739)	(377)	(1,132)	(1,509)
Performance incentive fee	4	(353)	(1,058)	(1,411)	–	–	–	–	–	–
Other expenses		(203)	–	(203)	(182)	–	(182)	(362)	–	(362)
Profit/(loss) on ordinary activities before tax		(135)	12,622	12,487	550	(4,840)	(4,290)	1,183	2,201	3,384
Tax on ordinary activities		–	–	–	–	–	–	–	–	–
Profit/(loss) and total comprehensive income attributable to shareholders		(135)	12,622	12,487	550	(4,840)	(4,290)	1,183	2,201	3,384
Basic and diluted return/(loss) per share (pence)*	6	(0.03)	3.00	2.97	0.15	(1.31)	(1.16)	0.32	0.59	0.91

* adjusted for treasury shares

The accompanying notes on pages 16 to 21 form an integral part of this Half-yearly Financial Report.

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2020 and the audited statutory accounts for the year ended 31 December 2020.

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 2021 £'000	Unaudited 30 June 2020 £'000	Audited 31 December 2020 £'000
Fixed asset investments		68,582	61,160	69,652
Current assets				
Trade and other receivables		1,569	105	1,293
Cash and cash equivalents		37,739	15,554	11,266
		39,308	15,659	12,559
Total assets		107,890	76,819	82,211
Payables: amounts falling due within one year				
Trade and other payables		(2,291)	(461)	(502)
Total assets less current liabilities		105,599	76,358	81,709
Equity attributable to equity holders				
Called-up share capital	7	5,051	4,333	4,346
Share premium		59,774	45,253	45,481
Capital redemption reserve		11	11	11
Unrealised capital reserve		24,076	10,387	16,786
Realised capital reserve		14,654	8,680	9,322
Other distributable reserve		2,033	7,694	5,763
Total equity shareholders' funds		105,599	76,358	81,709
Basic and diluted net asset value per share (pence)*		23.99	20.30	21.84

* excluding treasury shares

The accompanying notes on pages 16 to 21 form an integral part of this Half-yearly Financial Report.

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2020 and the audited statutory accounts for the year ended 31 December 2020.

The Financial Statements were approved by the Board of Directors, and authorised for issue on 17 September 2021 and were signed on its behalf by

Fiona Wollocombe

Chairman

Company number: 03139019

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
At 1 January 2021	4,346	45,481	11	16,786	9,322	5,763	81,709
Profit/(loss) and total comprehensive income for the period	-	-	-	14,211	(1,589)	(135)	12,487
Transfer of previously unrealised gains on disposal of investments	-	-	-	(6,921)	6,921	-	-
Purchase of own shares for treasury	-	-	-	-	-	(939)	(939)
Issue of equity	705	14,671	-	-	-	-	15,376
Cost of issue of equity	-	(378)	-	-	-	-	(378)
Dividends paid	-	-	-	-	-	(2,656)	(2,656)
At 30 June 2021	5,051	59,774	11	24,076	14,654	2,033	105,599
At 1 January 2020	3,883	35,825	11	14,707	9,200	9,830	73,456
(Loss)/profit and total comprehensive income for the period	-	-	-	(4,305)	(535)	550	(4,290)
Transfer of previously unrealised gains on disposal of investments	-	-	-	(15)	15	-	-
Purchase of own shares for treasury	-	-	-	-	-	(447)	(447)
Issue of equity	450	9,662	-	-	-	-	10,112
Cost of issue of equity	-	(234)	-	-	-	-	(234)
Dividends paid	-	-	-	-	-	(2,239)	(2,239)
At 30 June 2020	4,333	45,253	11	10,387	8,680	7,694	76,358
At 1 January 2020	3,883	35,825	11	14,707	9,200	9,830	73,456
Profit/(loss) and total comprehensive income for the period	-	-	-	3,013	(812)	1,183	3,384
Transfer of previously unrealised gains on disposal of investments	-	-	-	(934)	934	-	-
Purchase of own shares for treasury	-	-	-	-	-	(1,100)	(1,100)
Issue of equity	462	9,892	-	-	-	-	10,354
Cost of issue of equity	-	(236)	-	-	-	-	(236)
Dividends paid	-	-	-	-	-	(4,150)	(4,150)
At 31 December 2020	4,346	45,481	11	16,786	9,322	5,763	81,709

*The total distributable reserves are £16,687,000 (30 June 2020: £16,374,000; 31 December 2020: £15,085,000).

The accompanying notes on pages 16 to 21 form an integral part of this Half-yearly Financial Report.

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2020 and the audited statutory accounts for the year ended 31 December 2020.

Condensed statement of cash flows

	Unaudited six months ended 30 June 2021 £'000	Unaudited six months ended 30 June 2020 £'000	Audited year ended 31 December 2020 £'000
Cash flow from operating activities			
Investment income received	1,248	656	1,467
Deposit interest received	1	25	25
Dividend income received	25	49	220
Investment management fee paid	(796)	(745)	(1,499)
Other cash payments	(242)	(198)	(359)
UK corporation tax paid	–	–	–
Net cash flow from operating activities	236	(213)	(146)
Cash flow from investing activities			
Purchase of fixed asset investments	(5,026)	(1,363)	(3,990)
Disposal of fixed asset investments	19,562	60	639
Net cash flow from investing activities	14,536	(1,303)	(3,351)
Cash flow from financing activities			
Issue of share capital	14,627	9,588	9,588
Cost of issue of equity	(18)	(2)	(4)
Purchase of own shares (including costs)	(640)	(447)	(1,100)
Equity dividends paid*	(2,268)	(1,936)	(3,588)
Net cash flow from financing activities	11,701	7,203	4,896
Increase in cash and cash equivalents	26,473	5,687	1,399
Cash and cash equivalents at start of period	11,266	9,867	9,867
Cash and cash equivalents at end of period	37,739	15,554	11,266

* The equity dividends paid shown in the cash flow are different to the dividends disclosed in note 5 as a result of the non-cash effect of the Dividend Reinvestment Scheme.

The accompanying notes on pages 16 to 21 form an integral part of this Half-yearly Financial Report.

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2020 and the audited statutory accounts for the year ended 31 December 2020.

Notes to the condensed Financial Statements

1. Accounting policies

Basic of accounting

The condensed Financial Statements have been prepared 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") in accordance with FRS 102 sections 11 and 12. The Company values investments by following the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines as updated in 2018 and further detail on the valuation techniques used are outlined below.

Company information can be found on page 2.

Fixed 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% 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 designated by the Company as FVTPL and are included at their initial fair value, which is cost (excluding expenses incidental to the acquisition which are written off to the Income statement).

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

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations.
- Unquoted investments, where there is not an active market, are valued using an appropriate valuation

technique in accordance with the IPEV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, revenue multiples, the level of third party offers received, cost or 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 Income statement when a share becomes ex-dividend.

Current assets and payables

Receivables (including debtors due after more than one year), payables and cash are carried at amortised cost, in accordance with FRS 102. Debtors due after more than one year meet the definition of a financing transaction held at amortised cost, and interest will be recognised through capital over the credit period using the effective interest method. There are no financial liabilities other than payables.

Notes to the condensed Financial Statements continued

1. Accounting policies (continued)

Investment income

Equity income

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

Unquoted loan stock income

Fixed returns on non-equity shares and debt securities are recognised when the Company's right to receive payment and expect 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 fee, performance incentive fee and other 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% 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% 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.

Share capital and reserves

Called-up share capital

This reserve accounts for the nominal value of the shares.

Share premium

This reserve accounts for the difference between the price paid for the Company's shares and the nominal value of those 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 diminution in value;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders where paid out by capital.

Other distributable reserve

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

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

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

2. Gains/(losses) on investments

	Unaudited six months ended 30 June 2021 £'000	Unaudited six months ended 30 June 2020 £'000	Audited year ended 31 December 2020 £'000
Unrealised gains/(losses) on fixed asset investments	14,211	(4,305)	3,013
Realised gains on fixed asset investments	144	19	320
	14,355	(4,286)	3,333

3. Investment income

	Unaudited six months ended 30 June 2021 £'000	Unaudited six months ended 30 June 2020 £'000	Audited year ended 31 December 2020 £'000
Loan stock interest	620	844	1,678
Dividends	25	49	220
Bank interest	1	24	24
	646	917	1,922

4. Investment management fee and performance incentive fee

	Unaudited six months ended 30 June 2021 £'000	Unaudited six months ended 30 June 2020 £'000	Audited year ended 31 December 2020 £'000
Investment management fee charged to revenue	225	185	377
Investment management fee charged to capital	675	554	1,132
Performance incentive fee charged to revenue	353	–	–
Performance incentive fee charged to capital	1,058	–	–
	2,311	739	1,509

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid are given in the Strategic report on page 13 of the Annual Report and Financial Statements for the year ended 31 December 2020.

During the period, services with a value of £900,000 (30 June 2020: £739,000; 31 December 2020: £1,509,000) and £25,000 (30 June 2020: £25,000; 31 December 2020: £50,000) were purchased by the Company from Albion Capital Group LLP in respect of management and administration fees respectively. At the period end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals was £504,000 (30 June 2020: £385,000; 31 December 2020: £400,000). For the period to 30 June 2021, a performance incentive fee of £1,411,000 has been accrued, however any performance incentive fee is calculated on year end results and payable in line with the Management agreement (30 June 2020: £nil; 31 December 2020: £nil).

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period, fees of £145,000 (30 June 2020: £155,000; 31 December 2020: £183,000) attributable to the investments of the Company were paid pursuant to these arrangements.

Albion Capital Group LLP, its partners and staff hold 1,864,783 Ordinary shares in the Company as at 30 June 2021.

The Company entered into an offer agreement relating to the Offers with the Company's investment manager Albion Capital Group LLP, pursuant to which Albion Capital received a fee of 2.5% of the gross proceeds of the Offers and out of which Albion Capital paid the costs of the Offers, as detailed in the Prospectus.

Notes to the condensed Financial Statements continued

5. Dividends

	Unaudited six months ended 30 June 2021 £'000	Unaudited six months ended 30 June 2020 £'000	Audited year ended 31 December 2020 £'000
Second dividend of 0.51 pence per share paid on 30 October 2020	–	–	1,910
First dividend of 0.60 pence per share paid on 30 April 2021 (30 April 2020: 0.60 pence per share)	2,656	2,256	2,256
Unclaimed dividends returned to the Company	–	(16)	(16)
	2,656	2,239	4,150

The Directors have declared a second dividend of 0.60 pence per share for the year ending 31 December 2021, which will be paid on 29 October 2021 to shareholders on the register on 1 October 2021.

The Directors have declared a special dividend of 1.14 pence per share, which will also be paid on 29 October 2021 to shareholders on the register on 1 October 2021.

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

	Unaudited six months ended 30 June 2021		Unaudited six months ended 30 June 2020		Audited year ended 31 December 2020	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Profit/(loss) attributable to shareholders (£'000)	(135)	12,622	550	(4,840)	1,183	2,201
Weighted average shares in issue (adjusted for treasury shares)	420,341,284		369,249,306		372,282,416	
Return/(loss) attributable per equity share (pence)	(0.03)	3.00	0.15	(1.31)	0.32	0.59

The weighted average number of Ordinary shares is calculated after adjusting for treasury shares of 65,014,675 (30 June 2020: 57,096,607; 31 December 2020: 60,491,609).

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

7. Called-up share capital

Allotted, called-up and fully paid Ordinary shares of 1 penny each	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
Number of shares	505,145,955	433,336,785	434,557,477
Nominal value of allotted shares (£'000)	5,051	4,333	4,346
Voting rights (number of shares net of treasury shares)	440,131,280	376,240,178	374,065,868

The Company operates a share buy-back programme, as detailed in the Interim management report on page 7. During the period the Company purchased 4,523,066 Ordinary shares with a nominal value of £45,231 (30 June 2020: 2,373,607; 31 December 2020: 5,768,609) representing 0.9% of the issued called-up share capital as at 30 June 2021, at a cost of £939,000 (30 June 2020: £447,000; 31 December 2020: £1,100,000), including stamp duty, to be held in treasury. The Company holds a total of 65,014,675 Ordinary shares in treasury, representing 12.9% of the issued Ordinary share capital as at 30 June 2021.

Notes to the condensed Financial Statements continued

7. Called-up share capital (continued)

During the period from 1 January 2021 to 30 June 2021, the Company issued the following new Ordinary shares of 1 penny each under the terms of the Dividend Reinvestment Scheme Circular dated 19 April 2011:

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 April 2021	1,831,899	18	21.24	371	20.30

Under the terms of the Albion VCTs Prospectus Top Up Offers 2020/21, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 June 2021:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
26 February 2021	5,412,326	54	21.60	1,151	20.10
26 February 2021	1,536,392	15	21.70	327	20.10
26 February 2021	59,778,526	598	21.80	12,706	20.10
9 April 2021	528,417	5	22.20	116	20.70
9 April 2021	29,596	–	22.30	6	20.70
9 April 2021	1,471,322	15	22.40	321	20.70
	68,756,579			14,627	

8. Commitments, contingencies and guarantees

As at 30 June 2021, the Company had no financial commitments (30 June 2020: £nil; 31 December 2020: £nil).

There were no contingent liabilities or guarantees given by the Company as at 30 June 2021 (30 June 2020: £nil; 31 December 2020: £nil).

9. Post balance sheet events

Since 30 June 2021, the Company has had the following post balance sheet events:

- Proceeds of £5.2 million were received for the sale of Antenova Limited;
- Proceeds of £0.4 million were received for the sale of Elateral Group Limited;
- Investment of £829,000 in Oviva AG;
- Investment of £386,000 in The Ewell Group Limited; and
- Investment of £47,000 in Imandra Inc.

10. Related party disclosures

Other than transactions with the Manager as disclosed in note 4, there are no related party transactions or balances requiring disclosure.

Notes to the condensed Financial Statements continued

11. 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 68 of those accounts.

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 in September 2014, and the subsequent updated Going concern, risk and viability guidance issued by the FRC due to Covid-19 in 2020.

12. 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 2021 and 30 June 2020, and is unaudited. The information for the year ended 31 December 2020 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 and is derived from the statutory accounts for that 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.

13. 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/KAY, where the Report can be accessed from the 'Financial Reports and Circulars' section.



aic

The Association of
Investment Companies

A member of The Association
of Investment Companies



This report is printed on Revive 100 offset a totally recycled paper produced using 100% recycled waste at a mill that has been awarded the ISO 14001 certificate for environmental management. The pulp is bleached using a totally chlorine free (TCF) process.

AlbionCapital