

Albion Enterprise VCT PLC



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

2021



AlbionCapital



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



Company information

Company number

05990732

Directors

M Packe, Chairman
The Dowager Lady Balfour of Burleigh
(retired 11 August 2021)
C Burrows
R Whitlock
P Latham (appointed 1 September 2021)
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
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

Albion Enterprise 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 5860 (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: AAEVchair@albion.capital

Financial adviser information

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

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

Albion Enterprise VCT PLC (the “Company”) is a Venture Capital Trust and the investment objective of the Company is to provide investors with a regular source of income, combined with the prospect of longer term capital growth.

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.

VCT qualifying and non-VCT 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 10 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 Venture Capital Trust qualifying industry sectors using a mixture of securities. The maximum amount which the Company will invest in a single 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.

Gearing

The Company’s maximum exposure in relation to gearing is restricted to 10 per cent. of its adjusted share capital and reserves.

Financial calendar

Record date for second dividend	4 February 2022
Date of General Meeting	Noon on 21 February 2022
Payment date for second dividend	28 February 2022
Financial year end	31 March

Financial highlights

	Unaudited six months ended 30 September 2021 (pence per share)	Unaudited six months ended 30 September 2020 (pence per share)	Audited year ended 31 March 2021 (pence per share)
Opening net asset value	114.60	106.54	106.54
Capital return	18.04	5.85	13.96
Revenue loss	(0.94)	(0.20)	(0.51)
Total return	17.10	5.65	13.45
Dividends paid	(2.87)	(2.70)	(5.44)
Impact from share capital movements	0.02	0.06	0.05
Net asset value	128.85	109.55	114.60

Total dividends paid to 30 September 2021	59.16
Net asset value on 30 September 2021	128.85
Total shareholder value to 30 September 2021	188.01

A more detailed breakdown of the dividends paid per year can be found at www.albion.capital/funds/AAEV under the 'Dividend History' section.

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2022, of 3.22 pence per share to be paid on 28 February 2022 to shareholders on the register on 4 February 2022.

Interim management report

Introduction

Albion Enterprise VCT PLC (the “Company”) has had a strong six months to 30 September 2021, with a total return of 17.10 pence per share, and the net asset value (“NAV”) increasing to 128.85 pence per share, representing a 14.9% return on opening NAV (after adjusting for the dividend paid). Our portfolio companies continue to show resilience and are demonstrating the value they provide to their customers.

Valuations and results

The gain on investments for the six months to 30 September 2021 was £15.8 million compared to a gain of £4.5 million for the same period in the previous year. The successful series D fundraise in Quantexa and series C fundraise in Oviva have been the major contributors to the positive return, alongside continuing growth from Egress Technologies. We have also seen many of our other portfolio companies performing well. For example, portfolio company Arecor Therapeutics, listed onto the AIM stock exchange during the period which led to an increase in value of £0.8 million. Our top 10 portfolio companies, which now account for 54% of NAV, increased in value by £12.7 million. These excellent results for the six months have resulted in a performance incentive fee accrual of £2.1 million, however any performance incentive fee is calculated on year end results.

There have also been some write-downs in our portfolio, the largest being Abcodia (£0.4 million) which was impacted by disappointing clinical trial results during the period.

Further details of the portfolio of investments can be found on pages 9 and 10.

Dividends

In line with our variable dividend policy targeting a dividend around 5% of NAV per annum, the Company paid a dividend totalling 2.87 pence per share during the period to 30 September 2021 (30 September 2020: 2.70 pence per share). The Company will pay a second dividend for the financial year ending 31 March 2022 of 3.22 pence per share on 28 February 2022 to

shareholders on the register on 4 February 2022, being 2.5% of the latest reported NAV.

This will bring the total dividends paid for the year ending 31 March 2022 to 6.09 pence per share, which equates to a 5.3% yield on the opening NAV of 114.60 pence per share.

Investment activity

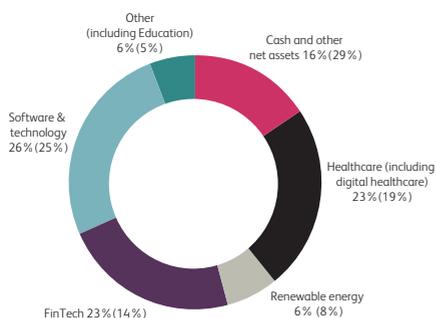
During the period the Company has invested £5.2 million into new and existing portfolio companies, with new investments comprising:

- £0.8 million into Gravitee TopCo (trading as Gravitee.io), an application programming interface (API) management platform;
- £0.6 million into NuvoAir, a provider of digital therapeutics and decentralised clinical trials for respiratory conditions;
- £0.3 million into Brytlyt, which uses patented software and AI, combined with the superior computation power of graphics processing units (GPUs), to derive insights thousands of times faster than legacy systems; and
- £0.3 million into Accelex Technologies, a data extraction and analytics technology for private capital markets.

A further £3.2 million was invested in supporting our existing portfolio companies, including £1.4 million into Oviva, as part of the Series C fundraise, and £0.5 million into uMotif, to support the business as it continues to develop its electronic patient report platform for clinical trials.

Investment portfolio by sector

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



Comparatives for 31 March 2021 are shown in brackets
Source: Albion Capital Group LLP

Cancellation of share premium and capital redemption reserve

Given the current level of distributable reserves and the Board's dividend policy, 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 £54 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.

The General Meeting will be held at noon on 21 February 2022 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/AAEV 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. Shareholders can submit their questions to the Board in advance of the General Meeting up until noon on 17 February 2022 by emailing AAEVchair@albion.capital.

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

Board composition

The Dowager Lady Balfour of Burleigh retired from the board on 11 August 2021. The Board thanks her for her wise counsel and will miss her invaluable mix of skills over many years. It was a pleasure to have worked with her. On 1 September 2021, Pippa Latham joined the Board. Pippa brings extensive experience across the financial sector as well as Board membership of a variety of successful technology and other commercial organisations. She is a Cambridge graduate, holds an MBA from INSEAD and is both a qualified accountant and a member of the Institute of Chartered Secretaries and Administrators. The Board believes that Pippa will add considerable value during her tenure.

Share buy-backs

It remains the Board's policy to buy-back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. This includes the maintenance of sufficient cash resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders.

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

Transactions with the Manager

Details of transactions with the Manager for the reporting period can be found in note 5. Details of related party transactions can be found in note 11.

Principal 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 increasing maturity and success of some of our portfolio companies has resulted in a high concentration in our top 10, which may result in further volatility in the future.

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Financial Statements for the year ended 31 March 2021. The occurrence of the Covid-19 pandemic has created heightened uncertainty, but has not changed the nature of the principal risks. The Board considers that the present processes for mitigating those risks remain appropriate.

The principal risks faced by the Company are:

- Investment, performance and valuation risk;
- VCT approval risk;
- Regulatory and compliance risk;
- Operational and internal control risk;
- Economic, political and social risk;
- Emerging risks;
- Market value of Ordinary shares; and
- Reputational risk.

A detailed explanation of the principal risks facing the Company can be found in the Annual Report and Financial Statements for the year ended 31 March 2021 on pages 18 to 20, copies of which are available on the Company's webpage on the Manager's website at www.albion.capital/funds/AAEV under the 'Financial Reports and Circulars' section.

Albion VCTs Top Up Offers

Your Board, in conjunction with the boards of the other five VCTs managed by Albion Capital Group LLP, have announced to the market the intention of the VCTs to launch prospectus top up offers of new ordinary shares

for subscription in the 2021/2022 and 2022/2023 tax years. The prospectus is expected to be published in early January 2022, with more information available at www.albion.capital.

The proceeds will be 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, four of which are detailed above.

To ensure efficient Shareholder communication **the Board is actively encouraging Shareholders who are currently receiving hard copy information to change their preferences to electronic communications.**

There are many reasons why we think this is the right thing to do including being more environmentally friendly, less human contact, and speed including the immediacy of getting information to you regarding the Company and new Offers.

Shareholders can sign up for e-Comms by going to: www.investorcentre.co.uk/ecomms.

Prospects

The Board is encouraged by the performance of the portfolio as a whole, and the pipeline of new and follow on investments continues to remain strong, demonstrated by the £5.2m invested in 10 investments in the past six months. The Company has seen £9.2 million of gains in its top three portfolio companies in addition to £6.5 million of gains across the rest of the portfolio. We therefore believe that the Company's portfolio is suitably balanced and continues to have the potential to deliver attractive returns to shareholders over the long term.

Maxwell Packe

Chairman

30 November 2021

Responsibility statement

The Directors, Maxwell Packe, Christopher Burrows, Rhodri Whitlock, Pippa Latham and Patrick Reeve, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 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", give 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

Maxwell Packe
Chairman
30 November 2021

Portfolio of investments

Fixed asset investments	% voting rights	On 30 September 2021			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Quantexa Limited	2.5	2,108	12,422	14,530	7,684
Egress Software Technologies Limited	9.9	3,365	8,596	11,961	1,007
Proveca Limited	9.6	1,512	4,648	6,160	546
Oviva AG	2.8	2,601	2,618	5,219	2,320
Radnor House School (TopCo) Limited	9.4	1,729	1,877	3,606	626
The Ewell Group Limited	6.1	1,477	957	2,434	(25)
Phrasee Limited	3.6	822	1,320	2,142	–
Regenerco Renewable Energy Limited	12.5	1,261	776	2,037	4
Black Swan Data Limited	5.0	1,445	346	1,791	488
Healios Limited	4.0	1,134	522	1,656	–
The Street by Street Solar Programme Limited	8.6	891	685	1,576	16
Threadneedle Software Holdings Limited (T/A Solidatus)	2.2	1,360	–	1,360	–
Arecor Therapeutics PLC (previously Arecor Limited)	1.1	400	929	1,329	756
Alto Prodotto Wind Limited	11.1	814	463	1,277	(32)
MPP Global Solutions Limited	2.9	950	311	1,261	311
Panaseer Limited	2.3	816	388	1,204	1
Greenenerco Limited	28.6	739	453	1,192	(28)
Elliptic Enterprises Limited	1.0	792	398	1,190	398
uMotif Limited	3.8	1,109	60	1,169	–
Credit Kudos Limited	2.1	454	696	1,150	696
Aridhia Informatics Limited	6.4	1,244	(109)	1,135	223
Cantab Research Limited (T/A Speechmatics)	1.7	696	344	1,040	344
Convertr Media Limited	6.2	992	38	1,030	5
Oxsensis Limited	4.3	1,011	(8)	1,003	–
MyMeds&Me Limited	7.6	720	216	936	13
Beddlestead Limited	8.1	966	(69)	897	241
Innovation Broking Group Limited	8.4	84	760	844	266
Koru Kids Limited	2.5	541	302	843	245
Cisiv Limited	8.8	799	(32)	767	–
DySIS Medical Limited	3.8	2,742	(1,978)	764	12
Gravitee TopCo Limited (T/A Gravitee.io)	3.5	763	–	763	–
Concirus Limited	1.5	755	–	755	–
InCrowd Sports Limited	3.9	499	184	683	13
NuvoAir Holdings Inc.	2.1	649	–	649	–
The Voucher Market Ltd (T/A WeGift)	1.4	564	–	564	–
Locum's Nest Limited	4.8	500	30	530	61
Limitless Technology Limited	1.8	471	47	518	–
Imandra Inc.	1.3	173	261	434	261
Zift Channel Solutions Inc.	2.0	1,053	(628)	425	181
Seldon Technologies Limited	1.9	371	–	371	–
Brytlyt Limited	1.8	310	–	310	–
Accelex Technology Limited	2.9	265	–	265	–
AVESI Limited	5.5	179	61	240	(1)
TransFICC Limited	1.6	234	–	234	–
memsstar Limited	8.8	192	42	234	(135)
Xperiome Limited (previously Raremark)	3.4	448	(312)	136	(227)
uMedeor Limited (T/A uMed)	1.3	134	–	134	–

Portfolio of investments continued

	% voting rights	On 30 September 2021			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Fixed asset investments					
MHS 1 Limited	1.2	83	(15)	68	(5)
Symetrica Limited	0.2	55	(11)	44	–
Sandcroft Avenue Limited (T/A Hussle)	6.8	1,370	(1,354)	16	(125)
Avora Limited	2.4	430	(420)	10	(152)
Forward Clinical Limited (T/A Pando)	1.8	219	(212)	7	(1)
Abcodia Limited	5.6	987	(983)	4	(368)
Mirada Medical Limited	14.2	1,487	(1,487)	–	–
Total fixed asset investments		47,765	33,132	80,897	15,619

*as adjusted for additions and disposals during the period; including realised gains/(losses).

Investment realisations in the period to 30 September 2021	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain £'000	Gain on opening value £'000
Loan stock repayments and other:					
Greenenerco Limited	29	42	42	13	–
Alto Prodotto Wind Limited	27	41	41	14	–
Escrow adjustments*	–	–	131	131	131
Total fixed asset realisations	56	83	214	158	131

*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	15,619
Movement in loan stock accrued interest	2
Unrealised gains on fixed asset investments	15,621
Realised gains on fixed asset investments	131
Total gains on investments as per Income statement	15,752

Condensed income statement

	Note	Unaudited six months ended 30 September 2021			Unaudited six months ended 30 September 2020			Audited year ended 31 March 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	15,752	15,752	–	4,501	4,501	–	10,892	10,892
Investment income	4	297	–	297	266	–	266	543	–	543
Investment Manager's fees	5	(755)	(2,266)	(3,021)	(171)	(513)	(684)	(438)	(1,314)	(1,752)
Other expenses		(250)	–	(250)	(231)	–	(231)	(454)	–	(454)
(Loss)/return on ordinary activities before taxation		(708)	13,486	12,778	(136)	3,988	3,852	(349)	9,578	9,229
Tax on ordinary activities		–	–	–	–	–	–	–	–	–
(Loss)/return and total comprehensive income attributable to shareholders		(708)	13,486	12,778	(136)	3,988	3,852	(349)	9,578	9,229
Basic and diluted (loss)/return per share (pence)*	7	(0.94)	18.04	17.10	(0.20)	5.85	5.65	(0.51)	13.96	13.45

*adjusted for treasury shares

The accompanying notes on pages 15 to 20 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 September 2020 and the audited statutory accounts for the year ended 31 March 2021.

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 September 2021 £'000	Unaudited 30 September 2020 £'000	Audited 31 March 2021 £'000
Fixed asset investments	80,897	55,871	60,615
Current assets			
Current asset investments	–	3,602	–
Trade and other receivables	2,304	178	1,772
Cash and cash equivalents	15,758	15,542	24,429
	18,062	19,322	26,201
Total assets	98,959	75,193	86,816
Payables			
Trade and other payables less than one year	(2,911)	(913)	(1,418)
Total assets less current liabilities	96,048	74,280	85,398
Equity attributable to equity holders			
Called-up share capital	8 859	775	852
Share premium	54,009	44,679	53,258
Capital redemption reserve	104	104	104
Unrealised capital reserve	33,133	13,075	17,538
Realised capital reserve	12,619	13,601	14,728
Other distributable reserve	(4,676)	2,046	(1,082)
Total equity shareholders' funds	96,048	74,280	85,398
Basic and diluted net asset value per share (pence)*	128.85	109.55	114.60

*excluding treasury shares

The accompanying notes on pages 15 to 20 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 September 2020 and the audited statutory accounts for the year ended 31 March 2021.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 30 November 2021 and were signed on its behalf by

Maxwell Packe

Chairman

Company number: 05990732

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 April 2021	852	53,258	104	17,538	14,728	(1,082)	85,398
Return/(loss) and total comprehensive income for the period	-	-	-	15,621	(2,135)	(708)	12,778
Transfer of previously unrealised gains on disposal of investments	-	-	-	(26)	26	-	-
Issue of equity	7	778	-	-	-	-	785
Cost of issue of equity	-	(27)	-	-	-	-	(27)
Purchase of own shares for treasury	-	-	-	-	-	(747)	(747)
Dividends paid	-	-	-	-	-	(2,139)	(2,139)
As at 30 September 2021	859	54,009	104	33,133	12,619	(4,676)	96,048
As at 1 April 2020	770	44,183	104	8,636	14,052	4,808	72,553
Return/(loss) and total comprehensive income for the period	-	-	-	4,464	(476)	(136)	3,852
Transfer of previously unrealised gains on disposal of investments	-	-	-	(25)	25	-	-
Issue of equity	5	502	-	-	-	-	507
Cost of issue of equity	-	(6)	-	-	-	-	(6)
Purchase of own shares for treasury	-	-	-	-	-	(790)	(790)
Dividends paid	-	-	-	-	-	(1,836)	(1,836)
As at 30 September 2020	775	44,679	104	13,075	13,601	2,046	74,280
As at 1 April 2020	770	44,183	104	8,636	14,052	4,808	72,553
Return/(loss) and total comprehensive income for the year	-	-	-	8,836	742	(349)	9,229
Transfer of previously unrealised losses on disposal of investments	-	-	-	66	(66)	-	-
Issue of equity	82	9,277	-	-	-	-	9,359
Cost of issue of equity	-	(202)	-	-	-	-	(202)
Purchase of own shares for treasury	-	-	-	-	-	(1,853)	(1,853)
Dividends paid	-	-	-	-	-	(3,688)	(3,688)
As at 31 March 2021	852	53,258	104	17,538	14,728	(1,082)	85,398

*These reserves amount to £7,943,000 (30 September 2020: £15,647,000; 31 March 2021: £13,646,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Cash flow from operating activities			
Investment income received	298	211	434
Dividend income received	–	42	94
Deposit interest received	1	16	17
Investment Manager's fees paid	(1,224)	(710)	(1,403)
Other cash payments	(271)	(268)	(465)
Net cash flow from operating activities	(1,196)	(709)	(1,323)
Cash flow from investing activities			
Disposal of current asset investments	–	–	3,691
Purchase of fixed asset investments	(5,173)	(3,745)	(7,324)
Disposal of fixed asset investments	112	139	3,683
Net cash flow from investing activities	(5,061)	(3,606)	50
Cash flow from financing activities			
Issue of share capital	430	205	8,568
Cost of issue of equity	(16)	(17)	(17)
Dividends paid*	(1,792)	(1,535)	(3,094)
Purchase of own shares (including costs)	(1,036)	(306)	(1,265)
Net cash flow from financing activities	(2,414)	(1,653)	4,192
(Decrease)/increase in cash and cash equivalents	(8,671)	(5,968)	2,919
Cash and cash equivalents at start of the period	24,429	21,510	21,510
Cash and cash equivalents at end of the period	15,758	15,542	24,429

*The dividends paid shown in the cash flow are different to the dividends disclosed in note 6 as a result of the non-cash effect of the Dividend Reinvestment Scheme.

Notes to the condensed Financial Statements

1. Accounting convention

The Financial Statements have been prepared in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 ("FRS 102"), and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by The Association of Investment Companies ("AIC"). The 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 in note 2 below.

Company information can be found on page 2.

2. Accounting policies

Fixed and current asset investments

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

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

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

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

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations.

- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the IPEV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, revenue multiples, the level of third party offers received, cost or 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:
 - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
 - a significant adverse change either in the portfolio company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
 - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

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

Current assets and payables

Receivables (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

2. 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 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.

Share capital and reserves

Called-up share capital

Called-up share capital accounts for the nominal value of the Company's 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 and transfers to the other distributable reserve.

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, 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 where paid out by capital.

Other distributable reserve

The special reserve, treasury share reserve and the revenue reserve were combined in 2013 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. Gains on investments

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Unrealised gains on fixed asset investments	15,621	4,363	8,836
Unrealised gains on current asset investments	–	101	–
Realised gains on fixed asset investments	131	37	1,866
Realised gains on current asset investments	–	–	190
	<u>15,752</u>	<u>4,501</u>	<u>10,892</u>

4. Investment income

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Loan stock interest	296	209	434
Dividend income	–	42	94
Bank deposit interest	1	15	15
	<u>297</u>	<u>266</u>	<u>543</u>

5. Investment Manager's fees

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Investment management fee charged to revenue	227	171	366
Investment management fee charged to capital	680	513	1,098
Performance incentive fee charged to revenue	528	–	72
Performance incentive fee charged to capital	1,586	–	216
	<u>3,021</u>	<u>684</u>	<u>1,752</u>

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid is given in the Strategic report on page 14 of the Annual Report and Financial Statements for the year ended 31 March 2021.

During the period, services of a total value of £998,000 (30 September 2020: £757,000; 31 March 2021: £1,905,000) were purchased by the Company from Albion Capital Group LLP; this includes £907,000 (30 September 2020: £684,000; 31 March 2021: £1,464,000) of management fee and £91,000 (30 September 2020: £73,000; 31 March 2021: £153,000) of administration fee. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services disclosed within payables was £428,000 (30 September 2020: £359,000; 31 March 2021: £453,000). For the period to 30 September 2021, a performance incentive fee of £2,114,000 has been accrued, however any performance incentive fee is calculated on year end results and payable in line with the Management agreement (30 September 2020: £nil; 31 March 2021: £288,000).

Notes to the condensed Financial Statements continued

5. Investment Manager's fees (continued)

During the period, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (30 September 2020: £nil; 31 March 2021: £nil).

Albion Capital Group LLP, its partners and staff (including Patrick Reeve) hold a total of 543,037 shares in the Company on 30 September 2021.

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 September 2021, fees of £108,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2020: £89,000; 31 March 2021: £205,000).

6. Dividends

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
First dividend of 2.87p per share paid on 31 August 2021 (28 August 2020: 2.70p per share)	2,139	1,836	1,836
Second dividend of 2.74p per share paid on 26 February 2021	–	–	1,854
Unclaimed dividends	–	–	(2)
	<u>2,139</u>	<u>1,836</u>	<u>3,688</u>

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2022 of 3.22 pence per share which will be paid on 28 February 2022 to shareholders on the register on 4 February 2022. This is expected to amount to approximately £2,400,000.

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

	Unaudited six months ended 30 September 2021		Unaudited six months ended 30 September 2020		Audited year ended 31 March 2021	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
(Loss)/return attributable to equity shares (£'000)	(708)	13,486	(136)	3,988	(349)	9,578
Weighted average shares in issue	74,745,677		68,156,133		68,620,876	
(Loss)/return per Ordinary share (pence)	(0.94)	18.04	(0.20)	5.85	(0.51)	13.96

The weighted average number of shares is calculated after adjusting for treasury shares of 11,346,766 (30 September 2020: 9,717,736; 31 March 2021: 10,713,420).

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

Notes to the condensed Financial Statements continued

8. Called-up share capital

Allotted, called-up and fully paid shares of 1 penny each	Unaudited 30 September 2021	Unaudited 30 September 2020	Audited 31 March 2021
Number of shares	85,891,086	77,523,553	85,232,100
Nominal value of allotted shares (£'000)	859	775	852
Voting rights (number of shares net of treasury shares)	74,544,320	67,805,817	74,518,680

During the period to 30 September 2021, the Company purchased 633,346 shares (30 September 2020: 772,422; 31 March 2021: 1,768,106) to be held in treasury at a nominal value of £6,333 and at a cost of £747,000. The total number of shares held in treasury on 30 September 2021 was 11,346,766 (30 September 2020: 9,717,736; 31 March 2021: 10,713,420) representing 13.2% of the shares in issue on 30 September 2021.

Under the terms of the Dividend Reinvestment Scheme Circular (dated 26 November 2009), the following new shares of nominal value 1 penny each were allotted during the period to 30 September 2021:

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)
31 August 2021	275,632	3	125.06	327	119.50

Under the terms of the Albion VCTs Prospectus Top Up Offers 2020/21, the following new shares of nominal value 1 penny each were allotted during the period to 30 September 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)
9 April 2021	144,118	1	114.00	162	106.50
9 April 2021	9,249	–	114.60	10	106.50
9 April 2021	229,987	2	115.20	258	106.50
	<u>383,354</u>			<u>430</u>	

9. Commitments and contingencies

On 30 September 2021, the Company had no financial commitments in respect of investments (30 September 2020: £nil; 31 March 2021: £nil).

There were no contingencies or guarantees of the Company on 30 September 2021 (30 September 2020: £nil; 31 March 2021: £nil).

Notes to the condensed Financial Statements continued

10. Post balance sheet events

The following are the material post balance sheet events since 30 September 2021:

- Proceeds of £1,261,000 received from the sale of MPP Global Solutions Limited on a cost of £950,000; and
- Investment of £426,000 in an existing portfolio company, Elliptic Enterprises Limited, a provider of Anti Money Laundering services to digital asset institutions.

11. Related party transactions

Other than transactions with the Manager as disclosed in note 5, there are no other related party transactions or balances 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 have 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 67 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.

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 September 2021 and 30 September 2020, and is unaudited. The information for the year ended 31 March 2021 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 but is derived from the 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 statements 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/AAEV, where the Report can be accessed from the 'Financial Reports and Circulars' section.





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