

# Kings Arms Yard VCT PLC



Half-yearly Financial Report  
(unaudited) for the  
six months to 30 June 2022

2022



AlbionCapital



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# Company information

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**Company name**

Kings Arms Yard VCT PLC (the "Company")

**Company number**

03139019

**Directors**

F Wollocombe, Chairman  
T W Chambers  
J Chiplin  
S Pathakji

**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

Kings Arms Yard VCT PLC is a member of The Association of Investment Companies ([www.theaic.co.uk](http://www.theaic.co.uk)).

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**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](http://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](mailto: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](mailto:info@albion.capital)

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

Website: [www.albion.capital](http://www.albion.capital)

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

**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  
6 Snow Hill  
London, EC1A 2AY

**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

# Investment policy

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The Company 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 special dividend	8 July 2022
Payment date for special dividend	29 July 2022
Record date for second interim dividend	7 October 2022
Payment date of second interim dividend	31 October 2022
Financial year end	31 December

# Financial highlights

	<b>Unaudited six months ended 30 June 2022 (pence per share)</b>	Unaudited six months ended 30 June 2021 (pence per share)	Audited year ended 31 December 2021 (pence per share)
Opening net asset value	23.05	21.84	21.84
Capital return	0.55	3.00	3.61
Revenue return/(loss)	0.05	(0.03)	0.11
Total return	0.60	2.97	3.72
Dividends paid	(0.58)	(0.60)	(2.34)
Impact from share capital movements	–	(0.22)	(0.17)
Net asset value	23.07	23.99	23.05

## 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 2022

#### (period that Albion Capital has been investment manager):

Total dividends paid	13.10
Increase in net asset value	6.47

### Total shareholder return from 1 January 2011 to 30 June 2022

**19.57**

### Shareholder value since launch:

Total dividends paid to 30 June 2022	71.76
Net asset value as at 30 June 2022	23.07

### Total shareholder value as at 30 June 2022

**94.83**

The Directors have declared a second interim dividend of 0.58 pence per share for the year ending 31 December 2022, which will be paid on 31 October 2022 to shareholders on the register on 7 October 2022.

The Company paid a special dividend of 1.14 pence per share on 29 July 2022 to shareholders on the register on 8 July 2022. Further details can be found in the Interim management report on pages 5 to 7.

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](http://www.albion.capital/funds/KAY) under the 'Financial summary for previous funds' section.

# Interim management report

## Introduction

In the six months to 30 June 2022, the Company generated a total return of 0.60 pence per share, representing a 2.6% return on opening NAV. Despite the ongoing uncertainty faced by many companies as a result of high levels of inflation, the war in Ukraine and continuing impacts from the Covid-19 pandemic, our portfolio companies continue to show resilience and in many cases, growth.

## Portfolio review

Total gain on investments for the six month period was £3.5 million (30 June 2021: gain of £14.4 million). The key contributor to the gain on investments was the sale of three of our portfolio companies. These were:

- MyMeds&Me sold for proceeds of £4.9 million and a return on cost of 3.4 times;
- Phrasee sold for proceeds of £2.3 million and a return on cost of 3.5 times; and
- Credit Kudos sold for proceeds of £1.0 million and a return on cost of 5.2 times.

Successful externally led fundraisings for Gravitee (T/A Gravitee.io), Cantab Research (T/A Speechmatics), Locum's Nest and Academia resulted in a combined uplift of £1.2 million to the portfolio. It is reassuring to see many of our portfolio companies continuing to grow as well as being supported through successful externally led fundraisings.

The challenging economic environment has resulted in falling valuations of quoted technology and healthcare companies which has consequently led to some write-downs in our portfolio. The largest being Egress (£0.6 million) and Proveca (£0.4 million). Although these investment have been written down in line with falls in market multiples, we are encouraged by the prospects of these investments.

Our top 3 portfolio companies now account for 22.5% of the Company's NAV (30 June 2021: 23.1%; 31 December 2021: 25.0%). 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 first interim dividend of 0.58 pence per share during the period to 30 June 2022 (30 June 2021: 0.60 pence per share). The Company will pay a second interim dividend for the financial year ending 31 December 2022 of 0.58 pence per share on 31 October 2022 to shareholders on the register on 7 October 2022, being 2.5% of the 30 June 2022 NAV.

This will bring the total regular dividends paid for the year ending 31 December 2022 to 1.16 pence per share, which equates to a 5.0% yield on the opening NAV of 23.05 pence per share.

In addition to the dividends above, as a result of the significant disposals in the period of MyMeds&Me, Phrasee and Credit Kudos (outlined above), the Board was pleased to pay a special dividend of 1.14 pence per share on 29 July 2022 to shareholders on the register on 8 July 2022. This brings the total dividends paid to shareholders for the year ending 31 December 2022 to 2.30 pence per share, which equates to 10% of the opening NAV.

## Investment activity

During the period the Company has invested £7.0 million into new and existing portfolio companies, with new investments comprising:

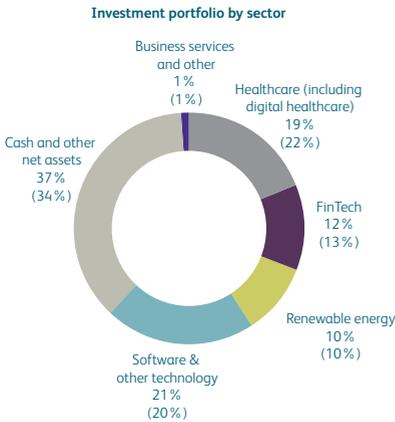
- £1.0 million (Albion VCTs: £3.8 million) in Perchpeek, a digital relocation platform;
- £1.0 million (Albion VCTs: £5.0 million) in PeakData, which provides insights and analytics to pharmaceutical companies about therapeutic areas;
- £0.7 million (Albion VCTs: £3.2 million) in Ophelos, an autonomous debt resolution platform; and
- £0.2 million (Albion VCTs: £0.8 million) in Regulatory Genome Development, a provider of machine readable structured regulatory content.

# Interim management report continued

A further £4.1 million was invested in existing portfolio companies, the largest being £1.1 million into TransFICC, a provider of a connectivity solution, connecting financial institutions with trading venues via a single API, and £0.7 million into Gravitee, an API management platform.

## 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 2022.



Comparatives for 31 December 2021 are in brackets

## Cancellation of share premium and capital redemption reserve

The Company obtained authority from shareholders to cancel the amount standing to the credit of its share premium and capital redemption reserves at the General Meeting on 25 November 2021. The purpose of the proposal was to increase the distributable reserves available to the Company for the payment of dividends, the buyback of shares, and for other corporate purposes.

The proposal received the consent of the Court on 11 January 2022, and the changes have been registered at Companies House. This immediately created additional distributable reserves of £27.9 million for the Company, with a further £33.0 million becoming distributable over the next three years.

## 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

In addition to the risks around Covid-19, which have been a major factor for the past two years, the UK is experiencing its highest level of inflation in decades, as well as the uncertainty over the future course and global impact of Russia's invasion of Ukraine. Our investment portfolio, while concentrated mainly in the technology and healthcare sectors, remains diversified in terms of both sub-sector and stage of maturity and, importantly, we believe to be appropriately valued.

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 December 2021. The current high levels of inflation and the war in Ukraine have 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 and regulatory change risk;
- Regulatory and compliance risk;

# Interim management report continued

- Operational and internal control risk (including cyber and data security);
- Economic and political risk;
- Liquidity risk; and
- Environmental, social and governance (“ESG”) 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 December 2021 on pages 16 to 18, copies of which are available on the Company’s webpage on the Manager’s website at [www.albion.capital/funds/KAY](http://www.albion.capital/funds/KAY) under the ‘Financial Reports and Circulars’ section.

## Sunset Clause

In 2015 a VCT “sunset clause” was introduced as a requirement of an EU state aid notification. This provides that income tax relief will no longer be given to subscriptions made on or after 6 April 2025, unless the legislation is amended to make the scheme permanent or the “sunset clause” is extended. Our Manager, Albion Capital, is working, alongside the VCT industry, to demonstrate to Government the importance of VCTs as a source of early stage capital to support entrepreneurs creating innovative growth businesses employing thousands of people throughout the UK. Given its importance, the Board expects that the VCT scheme will continue to attract Government support.

## Albion VCTs Top Up Offers

As announced in the Annual Report and Financial Statements for the year ended 31 December 2021, the Board was pleased to close the 2021/22 Offer fully subscribed having raised £8 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, four of which are detailed above. Details on the share allotments during the period can be found in note 7.

## Shareholder seminar

The Board is pleased to report that the next Shareholders Seminar will be held in person at the Royal College of Surgeons, Lincoln’s Inn Field, London on 23 November 2022 and the Board will be delighted to see as many shareholders as possible at the event. 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. Places are limited and to reserve a place please email [info@albion.capital](mailto:info@albion.capital) with subject heading “Shareholders Seminar” and include your full name. You will receive an email confirmation of your place, subject to availability.

More details are available on the Albion Capital website: [www.albion.capital](http://www.albion.capital).

## Prospects

The Board is encouraged by the performance of the portfolio as a whole and the prospects for its portfolio companies against a backdrop of multiple macroeconomic and geopolitical uncertainties. We are fortunate that many of the companies within the portfolio provide products and services that are considered innovative and essential to their customers. Our focus on technology and healthcare, whilst minimising exposure to discretionary consumer expenditure, is designed to help the Company weather uncertain times. The Board is encouraged by the strong pipeline of new investment opportunities being progressed by the Manager, and importantly the Company has the cash resources to capitalise on these exciting opportunities and to support the existing portfolio.

The Board believes that the Company continues to have the potential to deliver long term value to our shareholders, but it is also mindful of the considerable uncertainty over the Global economy in the short to medium term.

## Fiona Wollocombe

Chairman

14 September 2022

# Responsibility statement

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The Directors, Fiona Wollocombe, Thomas Chambers, John Chiplin and Swarupa Pathakji, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 June 2022 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  
14 September 2022

# Portfolio of investments

Fixed asset investments	% voting rights	As at 30 June 2022			Change in value for the period <sup>(2)</sup> £'000
		Cost <sup>(1)</sup> £'000	Cumulative movement in value £'000	Value £'000	
Proveca Limited	15.1	2,259	7,208	9,467	(405)
Quantexa Limited	1.6	1,329	7,797	9,126	–
Egress Software Technologies Limited	4.8	1,644	4,279	5,923	(579)
Chonais River Hydro Limited	6.5	2,428	966	3,394	172
Oviva AG	1.6	1,489	1,317	2,806	(170)
The Ewell Group Limited	4.4	1,057	914	1,971	6
Gravitee Topco Limited (T/A Gravitee.io)	6.1	1,561	400	1,961	400
Black Swan Data Limited	3.8	1,760	125	1,885	(5)
The Street by Street Solar Programme Limited	10.0	1,040	831	1,871	20
Academia Inc.	2.3	351	1,415	1,766	215
Sift Limited	42.1	2,218	(583)	1,635	(231)
Regenerco Renewable Energy Limited	9.8	988	623	1,611	14
TransFICC Limited	3.3	1,305	148	1,453	–
Cantab Research Limited (T/A Speechmatics)	1.1	898	532	1,430	305
NuvoAir Holdings Inc.	2.4	971	458	1,429	138
Alto Prodotto Wind Limited	11.1	771	524	1,295	87
Healios Limited	2.6	684	416	1,100	–
PeakData AG	2.3	1,009	36	1,045	36
PerchPeek Limited	3.1	1,038	–	1,038	–
Elliptic Enterprises Limited	0.5	750	279	1,029	–
Seldon Technologies Limited	2.1	1,026	–	1,026	–
Dragon Hydro Limited	17.2	624	382	1,006	23
Threadneedle Software Holdings Limited (T/A Solidatus)	1.5	917	–	917	–
uMotif Limited	3.6	979	(126)	853	(61)
Gharagain River Hydro Limited	5.0	620	229	849	63
Arecor Therapeutics PLC	0.9	304	492	796	(140)
Locum's Nest Limited	3.8	452	314	766	291
Panaseer Limited	1.4	510	243	753	–
Ophelos Limited	2.8	724	–	724	–
Symetrica Limited	3.7	685	19	704	–
Beddlestead Limited	5.1	606	73	679	61
AVESI Limited	14.8	484	155	639	–
Accelex Technology Limited	3.6	630	–	630	–
Koru Kids Limited	1.6	430	192	622	–
The Voucher Market Limited (T/A WeGift)	0.8	361	209	570	209
Brytlyt Limited	3.4	566	–	566	–
Convertr Media Limited	3.0	482	22	504	2
Aridhia Informatics Limited	2.1	409	90	499	(36)
Cisiv Limited	3.0	278	124	402	(9)
Greenenerco Limited	8.6	228	161	389	22
InCrowd Sports Limited	2.1	272	114	386	20
Celoxica Holdings PLC	4.4	513	(255)	258	–
Limitless Technology Limited	1.4	383	(163)	220	(163)

# Portfolio of investments continued

Fixed asset investments	% voting rights	As at 30 June 2022			Change in value for the period <sup>(2)</sup> £'000
		Cost <sup>(1)</sup> £'000	Cumulative movement in value £'000	Value £'000	
Imandra Inc.	1.0	138	68	206	(126)
Regulatory Genome Development Limited	1.0	156	–	156	–
Anthropics Technology Limited	13.8	19	135	154	(50)
uMedeor Limited (T/A uMed)	1.4	152	–	152	–
Erin Solar Limited	5.7	160	(31)	129	–
Zift Channel Solutions Inc.	0.6	321	(213)	108	(18)
Harvest AD Limited <sup>(i)</sup>	0.0	70	(1)	69	–
Mirada Medical Limited	0.6	390	(375)	15	15
Concirrus Limited	0.6	339	(327)	12	(96)
Xention Limited	10.6	38	(28)	10	–
Abcodia Limited	4.3	761	(758)	3	–
Forward Clinical Limited (T/A Pando)	1.5	184	(181)	3	(3)
Avora Limited	2.8	510	(510)	–	(12)
Other holdings (3 companies)		2	1	3	–
<b>Total fixed asset investments</b>		<b>41,272</b>	<b>27,741</b>	<b>69,013</b>	<b>(5)</b>

- (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 2022 to the closing balance as at 30 June 2022 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 2022	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>					
MyMeds&Me Limited	1,459	2,209	4,896	3,437	2,687
Phrasee Limited	648	1,924	2,273	1,625	349
Credit Kudos Limited	185	764	954	769	190
<u>Loan stock repayments and other:</u>					
Alto Prodotto Wind Limited	29	44	44	15	–
Sift Limited	38	38	38	–	–
Greenenerco Limited	8	12	12	4	–
Sandcroft Avenue Limited	1,026	12	–	(1,026)	(12)
Escrow Adjustments and Other*	–	–	263	263	263
<b>Total</b>	<b>3,395</b>	<b>5,003</b>	<b>8,480</b>	<b>5,087</b>	<b>3,477</b>

\* These comprise fair value movements on deferred consideration on previously disposed investments and expenses which are incidental to the purchase or disposal of an investment.

<b>Total change in value of investments for the period</b>	<b>(5)</b>
Movement in loan stock accrued interest	(72)
<b>Unrealised gains on fixed asset investments sub-total</b>	<b>(77)</b>
Realised gains in current period	3,477
Unwinding of discount on deferred consideration	107
<b>Total gains on investments as per Income statement</b>	<b>3,507</b>

# Condensed income statement

	Note	Unaudited six months ended 30 June 2022			Unaudited six months ended 30 June 2021			Audited year ended 31 December 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	–	3,507	3,507	–	14,355	14,355	–	18,327	18,327
Investment income	3	544	–	544	646	–	646	1,106	–	1,106
Investment Manager's fees	4	(107)	(964)	(1,071)	(578)	(1,733)	(2,311)	(196)	(2,782)	(2,978)
Other expenses		(224)	–	(224)	(203)	–	(203)	(440)	–	(440)
<b>Profit/(loss) on ordinary activities before tax</b>		<b>213</b>	<b>2,543</b>	<b>2,756</b>	(135)	12,622	12,487	470	15,545	16,015
Tax on ordinary activities		–	–	–	–	–	–	–	–	–
<b>Profit/(loss) and total comprehensive income attributable to shareholders</b>		<b>213</b>	<b>2,543</b>	<b>2,756</b>	(135)	12,622	12,487	470	15,545	16,015
Basic and diluted return/(loss) per share (pence)*	6	<b>0.05</b>	<b>0.55</b>	<b>0.60</b>	(0.03)	3.00	2.97	0.11	3.61	3.72

\* 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 2021 and the audited statutory accounts for the year ended 31 December 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 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 December 2021 £'000
<b>Fixed asset investments</b>		<b>69,013</b>	68,582	66,996
<b>Current assets</b>				
Trade and other receivables		2,001	1,569	2,669
Cash and cash equivalents		38,813	37,739	33,845
		<b>40,814</b>	39,308	36,514
<b>Total assets</b>		<b>109,827</b>	107,890	103,510
<b>Payables: amounts falling due within one year</b>				
Trade and other payables		(866)	(2,291)	(1,679)
<b>Total assets less current liabilities</b>		<b>108,961</b>	105,599	101,831
<b>Equity attributable to equity holders</b>				
Called-up share capital	7	5,460	5,051	5,103
Share premium		7,848	59,774	60,854
Capital redemption reserve		–	11	11
Unrealised capital reserve		27,512	24,076	29,199
Realised capital reserve		9,026	14,654	4,796
Other distributable reserve		59,115	2,033	1,868
<b>Total equity shareholders' funds</b>		<b>108,961</b>	105,599	101,831
Basic and diluted net asset value per share (pence)*		23.07	23.99	23.05

\* 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 2021 and the audited statutory accounts for the year ended 31 December 2021.

The Financial Statements were approved by the Board of Directors, and authorised for issue on 14 September 2022 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
<b>At 1 January 2022</b>	5,103	60,854	11	29,199	4,796	1,868	101,831
(Loss)/profit and total comprehensive income for the period	-	-	-	(77)	2,620	213	2,756
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,610)	1,610	-	-
Purchase of own shares for treasury	-	-	-	-	-	(1,089)	(1,089)
Issue of equity	357	8,053	-	-	-	-	8,410
Cost of issue of equity	-	(205)	-	-	-	-	(205)
Dividends paid	-	-	-	-	-	(2,742)	(2,742)
Cancellation of share premium and capital redemption reserve	-	(60,854)	(11)	-	-	60,865	-
<b>At 30 June 2022</b>	5,460	7,848	-	27,512	9,026	59,115	108,961
<b>At 1 January 2021</b>	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)
<b>At 30 June 2021</b>	5,051	59,774	11	24,076	14,654	2,033	105,599
<b>At 1 January 2021</b>	4,346	45,481	11	16,786	9,322	5,763	81,709
Profit and total comprehensive income for the period	-	-	-	15,134	411	470	16,015
Transfer of previously unrealised gains on disposal of investments	-	-	-	(2,721)	2,721	-	-
Purchase of own shares for treasury	-	-	-	-	-	(1,709)	(1,709)
Issue of equity	757	15,769	-	-	-	-	16,526
Cost of issue of equity	-	(396)	-	-	-	-	(396)
Dividends paid	-	-	-	-	(7,658)	(2,656)	(10,314)
<b>At 31 December 2021</b>	5,103	60,854	11	29,199	4,796	1,868	101,831

\* These reserves include an amount of £32,896,000 (30 June 2021: £16,687,000; 31 December 2021: £5,322,000) which is considered distributable. Over the next three years an additional £32,958,000 will become distributable. This is due to the HMRC requirement that the Company cannot use capital raised in the past three years to make a payment or distribution to shareholders.

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 2021 and the audited statutory accounts for the year ended 31 December 2021.

# Condensed statement of cash flows

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
<b>Cash flow from operating activities</b>			
Investment income received	348	1,248	1,681
Deposit interest received	23	1	3
Dividend income received	71	25	42
Investment Manager's fees paid	(2,059)	(796)	(1,816)
Other cash payments	(258)	(242)	(427)
UK corporation tax paid	–	–	–
<b>Net cash flow from operating activities</b>	<b>(1,875)</b>	236	(517)
<b>Cash flow from investing activities</b>			
Purchase of fixed asset investments	(5,977)	(5,026)	(7,628)
Disposal of fixed asset investments	8,260	19,562	26,619
<b>Net cash flow from investing activities</b>	<b>2,283</b>	14,536	18,991
<b>Cash flow from financing activities</b>			
Issue of share capital	7,808	14,627	14,628
Cost of issue of equity	–	(18)	(37)
Purchase of own shares (including costs)	(922)	(640)	(1,709)
Equity dividends paid*	(2,326)	(2,268)	(8,777)
<b>Net cash flow from financing activities</b>	<b>4,560</b>	11,701	4,105
<b>Increase in cash and cash equivalents</b>	<b>4,968</b>	26,473	22,579
Cash and cash equivalents at start of period	33,845	11,266	11,266
<b>Cash and cash equivalents at end of period</b>	<b>38,813</b>	37,739	33,845

\* 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 2021 and the audited statutory accounts for the year ended 31 December 2021.

# Notes to the condensed Financial Statements

## 1. Accounting policies

### Basis 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:

- 90% of management fees and 100% of performance incentive fees if any, are allocated to the realised capital reserve; 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 (including gains recognised on the realisation of investment where consideration is deferred and not distributable as a matter of law);
- finance income in respect of the unwinding of the discount on deferred consideration that is not distributable as a matter of law;
- 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 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Unrealised (losses)/gains on fixed asset investments	(77)	14,211	15,134
Realised gains on fixed asset investments	3,477	52	3,001
Unwinding of discount on deferred consideration	107	92	192
	<b>3,507</b>	<b>14,355</b>	<b>18,327</b>

## 3. Investment income

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Loan stock interest	421	620	1,061
Dividends	100	25	42
Bank interest	23	1	3
	<b>544</b>	<b>646</b>	<b>1,106</b>

## 4. Investment management fee and performance incentive fee

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Investment management fee charged to revenue	107	225	196
Investment management fee charged to capital	964	675	1,765
Performance incentive fee charged to revenue	–	353	–
Performance incentive fee charged to capital	–	1,058	1,017
	<b>1,071</b>	<b>2,311</b>	<b>2,978</b>

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 pages 12 and 13 of the Annual Report and Financial Statements for the year ended 31 December 2021.

During the period, services with a value of £1,071,000 (30 June 2021: £900,000; 31 December 2021: £1,961,000) and £25,000 (30 June 2021: £25,000; 31 December 2021: £50,000) were purchased by the Company from Albion Capital Group LLP (Albion Capital) in respect of management and administration fees respectively. At the period end, the amount due to Albion Capital in respect of these services disclosed as accruals was £574,000 (30 June 2021: £504,000; 31 December 2021: £546,000). For the period to 30 June 2022, no performance incentive fee has been accrued, however any performance incentive fee is calculated on year end results and payable in line with the Management agreement (30 June 2021: £1,411,000; 31 December 2021: £1,017,000).

Albion Capital is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period, fees of £116,000 (30 June 2021: £145,000; 31 December 2021: £202,000) attributable to the investments of the Company were paid pursuant to these arrangements.

Albion Capital, its partners and staff hold 2,735,504 Ordinary shares in the Company as at 30 June 2022.

The Company entered into an offer agreement relating to the Offers with the Company's investment manager Albion Capital, 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 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Second interim dividend of 0.60 pence per share paid on 29 October 2021	–	–	2,641
Special dividend of 1.14 pence per share paid on 29 October 2021	–	–	5,017
First interim dividend of 0.58 pence per share paid on 29 April 2022 (30 April 2021: 0.60 pence per share)	<b>2,742</b>	2,656	2,656
	<b>2,742</b>	2,656	10,314

A special dividend of 1.14 pence per share was paid on 29 July 2022 to shareholders on the register on 8 July 2022.

The Directors have also declared a second interim dividend of 0.58 pence per share for the year ending 31 December 2022, which will be paid on 31 October 2022 to shareholders on the register on 7 October 2022.

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

	Unaudited six months ended 30 June 2022		Unaudited six months ended 30 June 2021		Audited year ended 31 December 2021	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Profit/(loss) attributable to shareholders (£'000)	<b>213</b>	<b>2,543</b>	(135)	12,622	470	15,545
Weighted average shares in issue (adjusted for treasury shares)	<b>463,540,737</b>		420,341,284		430,659,192	
Return/(loss) attributable per equity share (pence)	<b>0.05</b>	<b>0.55</b>	(0.03)	3.00	0.11	3.61

The weighted average number of Ordinary shares is calculated after adjusting for treasury shares of 73,661,999 (30 June 2021: 65,014,675; 31 December 2021: 68,609,325).

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

<b>Allotted, called-up and fully paid Ordinary shares of 1 penny each</b>	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Number of shares	<b>546,010,920</b>	505,145,955	510,311,533
Nominal value of allotted shares (£'000)	<b>5,460</b>	5,051	5,103
Voting rights (number of shares net of treasury shares)	<b>472,348,921</b>	440,131,280	441,702,208

The Company operates a share buy-back programme, as detailed in the Interim management report on page 5. During the period the Company purchased 5,052,674 Ordinary shares with a nominal value of £50,527 (30 June 2021: 4,523,066; 31 December 2021: 8,117,716) representing 0.9% of the issued called-up share capital as at 30 June 2022, at a cost of £1,089,000 (30 June 2021: £939,000; 31 December 2021: £1,709,000), including stamp duty, to be held in treasury. The Company holds a total of 73,661,999 Ordinary shares in treasury, representing 13.5% of the issued Ordinary share capital as at 30 June 2022.

# Notes to the condensed Financial Statements continued

## 7. Called-up share capital (continued)

During the period from 1 January 2022 to 30 June 2022, 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)
29 April 2022	1,851,776	19	22.47	398	20.43

Under the terms of the Albion VCTs Prospectus Top Up Offers 2021/22, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 June 2022:

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)
25 February 2022	3,942,660	39	23.50	913	22.00
25 February 2022	1,666,528	17	23.60	385	22.00
25 February 2022	25,492,024	255	23.70	5,891	22.00
11 April 2022	671,301	7	22.90	151	21.60
11 April 2022	32,607	–	23.00	7	21.60
11 April 2022	2,042,491	20	23.10	460	21.60
	<b>33,847,611</b>			<b>7,807</b>	

## 8. Commitments, contingencies and guarantees

As at 30 June 2022, the Company had no financial commitments (30 June 2021: £nil; 31 December 2021: £nil).

There were no contingent liabilities or guarantees given by the Company as at 30 June 2022 (30 June 2021: £nil; 31 December 2021: £nil).

## 9. Post balance sheet events

Since 30 June 2022, the Company has had the following material post balance sheet events:

- Investment of £1,498,000 in a new portfolio company, a provider of embedded FinTech solutions;
- Investment of £644,000 in a new portfolio company, an early stage cybersecurity training business;
- Investment of £552,000 in a new portfolio company, a platform providing digital neurorehabilitation; and
- Special dividend of 1.14 pence per share paid on 29 July 2022 to shareholders on the register on 8 July 2022.

## 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

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## **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 the current economic climate and increasingly volatile geopolitical backdrop. 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 71 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 2022 and 30 June 2021, and is unaudited. The information for the year ended 31 December 2021 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](http://www.albion.capital/funds/KAY), where the Report can be accessed from the 'Financial Reports and Circulars' section.







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