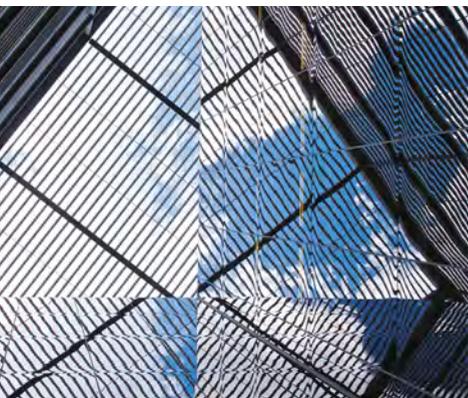


Albion Venture Capital Trust PLC



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

2022



AlbionCapital

Contents

Page

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



Company information

Company Name

Albion Venture Capital Trust PLC (the “Company”)

Company number

03142609

Directors

Richard Glover, Chairman
Ann Berresford
Neeta Patel
Richard Wilson

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
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

Albion Venture Capital Trust 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 5849 (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 by Computershare by registering on Computershare’s website.

Shareholders can also contact the Chairman directly on: AAVCchair@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

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 smaller, unquoted growth businesses across a variety of sectors including higher risk technology companies. Investments may take the form of equity or a mixture of equity and loans.

Allocation of funds 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 will be held as cash on deposit.

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within venture capital trust qualifying industry sectors. The maximum amount which the Company will invest in a single portfolio company is 15% 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% of the adjusted share capital and reserves.

Financial calendar

Record date for second interim dividend	6 January 2023
Payment date of second interim dividend	31 January 2023
Financial year end	31 March

Financial highlights

	Unaudited six months ended 30 September 2022 (pence per share)	Unaudited six months ended 30 September 2021 (pence per share)	Audited year ended 31 March 2022 (pence per share)
Opening net asset value	53.38	73.13	73.13
Capital return	0.60	2.47	5.38
Revenue return	0.24	0.05	0.39
	<hr/>	<hr/>	<hr/>
Total return	0.84	2.52	5.77
Impact from share capital movements	0.01	(0.02)	(0.22)
Dividends paid	(1.33)	(16.83)	(25.30)
	<hr/>	<hr/>	<hr/>
Net asset value	52.90	58.80	53.38

Ordinary shares (pence per share)

Total dividends paid to 30 September 2022	190.67
Net asset value as at 30 September 2022	52.90
Total shareholder value to 30 September 2022	243.57

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

The financial summary above is for the Company, Albion Venture Capital Trust PLC Ordinary shares only. Details of the financial performance of the C shares and Albion Prime VCT PLC, which have been merged into the Company, can be found on the Company's webpage at www.albion.capital/funds/AAVC under the 'Financial summary for previous funds' section.

The Directors have declared a second interim dividend of 1.32 pence per share for the year ending 31 March 2023, which will be paid on 31 January 2023 to shareholders on the register on 6 January 2023.

Interim management report

Introduction

In the six months to 30 September 2022, the Company generated a total return of 0.84 pence per share, representing a 1.6% uplift on the opening net asset value. Following the payment of the first interim dividend of 1.33 pence per share paid to shareholders on 29 July 2022, the net asset value ("NAV") at 30 September 2022 was 52.90 pence per share (31 March 2022: 53.38 pence per share). Despite the many challenges currently faced by all companies, including rising interest rates, high levels of inflation and the war in Ukraine, our portfolio companies continue to show resilience.

Investment performance and progress

The total gain on investments for the six months to 30 September 2022 was £1.2 million (30 September 2021: gain of £2.9 million). The key upward movements in the period include: a £1.1 million uplift in the valuation of Threadneedle Software Holdings (T/A Solidatus), after a strong period of trading; and a £0.4 million uplift in the valuation of The Voucher Market (T/A WeGift), which was as a result of a successful externally led Series B fundraising.

The challenging economic environment has resulted in falling valuations in some technology and healthcare companies which has consequently led to some write-downs in our portfolio. The largest of these has been Elliptic Enterprises (loss of £0.4 million) in line with a fall in market multiples, and Concirrus (loss of £0.3 million), due to a change in market conditions.

Our top 3 portfolio companies now account for 16.2% of the Company's NAV (30 September 2021: 14.7%; 31 March 2022: 15.4%).

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

Dividends

In line with our dividend policy, targeting a dividend around 5% of NAV per annum, the Company paid a first interim dividend of 1.33 pence per share during the period to

30 September 2022 (30 September 2021: 1.83 pence per share first interim dividend plus a 15.00 pence per share special dividend). The Company will pay a second interim dividend for the financial year ending 31 March 2023 of 1.32 pence per share on 31 January 2023 to shareholders on the register on 6 January 2023, being 2.5% of the 30 September 2022 NAV.

This will bring the total regular dividends paid for the year ending 31 March 2023 to 2.65 pence per share, which equates to a 5.0% yield on the opening NAV of 53.38 pence per share.

Investment activity

During the period the Company has invested £3.1 million into new portfolio companies, comprising:

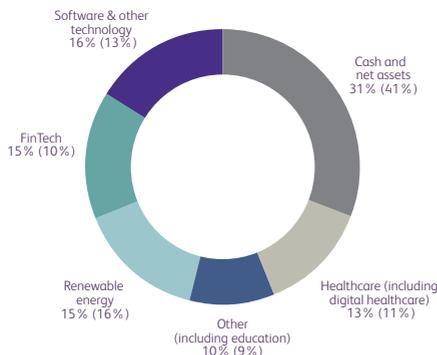
- £0.8 million into Toqio FinTech Holdings, a provider of embedded FinTech solutions;
- £0.6 million into PeakData, a provider of insights and analytics to pharmaceutical companies about therapeutic areas;
- £0.5 million into GX Molecular (T/A CS Genetics), a developer of single-cell sequencing solutions;
- £0.4 million into Ophelos, an autonomous and ethical debt resolution platform;
- £0.4 million into OutThink, a SaaS platform to measure and manage human risk for enterprises; and
- £0.4 million into Neurofenix, a neurorehabilitation platform.

A further £2.5 million was invested in existing portfolio companies, the largest being £0.7 million into Gravitee TopCo (T/A Gravitee.io), an API management platform, and £0.7 million into The Voucher Market (T/A WeGift), a cloud platform that enables corporates to purchase digital gift cards and to distribute them to employees and customers.

Interim management report continued

Investment portfolio by sector

The following pie chart shows the different sectors in which the Company's assets, at carrying value, were invested at 30 September 2022.



Comparatives for 31 March 2022 are shown in brackets.

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% 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 the transactions that took place with the Manager during the period can be found in note 5. There are no other related party transactions or balances that require disclosure.

Principal and emerging risks

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 renewable energy, technology and healthcare sectors, remains diversified in terms of both sub-sector and stage of maturity.

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 2022. 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;
- 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 March 2022 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/AAVC 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, launched a prospectus top up offer of new Ordinary shares for subscription in the 2022/23 and 2023/24 tax years on 10 October 2022. The prospectus is available online at www.albion.capital/vct-hub/current-offers.

Interim management report continued

The proceeds will be used to provide support to our existing portfolio companies and to enable us to take advantage of new investment opportunities, six of which are detailed on page 5. The first allotment of shares under the Offer was on 2 December 2022 and further details can be found in note 10.

Outlook and 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. Our focus on technology and healthcare, whilst minimising exposure to discretionary consumer expenditure, is designed to help the Company weather uncertain times. The Manager is progressing a strong pipeline of new investment opportunities and, importantly, the Company has the cash resources to capitalise on these exciting opportunities and to support the existing portfolio.

Richard Glover

Chairman

7 December 2022

Responsibility statement

The Directors Richard Glover, Ann Berresford, Neeta Patel and Richard Wilson are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 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", 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

Richard Glover
Chairman
7 December 2022

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 September 2022			Change in value for the period** £'000
		Cost* £'000	Cumulative movement in value £'000	Value £'000	
Chonais River Hydro	9.2	3,074	1,213	4,287	(91)
Cantab Research (T/A Speechmatics)	2.6	2,234	1,324	3,558	298
Radnor House School (TopCo)	6.9	1,259	1,194	2,453	(35)
The Ewewell Group	5.2	1,272	1,165	2,437	11
Threadneedle Software Holdings (T/A Solidatus)	2.1	1,262	1,075	2,337	1,075
Seldon Technologies	4.6	2,212	–	2,212	–
Elliptic Enterprises	1.4	1,913	275	2,188	(438)
Gravitee TopCo (T/A Gravitee.io)	3.7	1,524	391	1,915	167
The Voucher Market (T/A WeGift)	2.3	1,429	426	1,855	426
Gharagain River Hydro	11.5	1,363	473	1,836	(48)
NuvoAir Holdings	2.3	943	574	1,517	229
TransFICC	2.9	1,025	271	1,296	–
The Street by Street Solar Programme	6.5	676	525	1,201	(22)
MHS 1	14.8	1,026	61	1,087	230
Beddlestead	9.1	1,142	(79)	1,063	(212)
Healios	2.4	678	339	1,017	–
uMotif	3.9	1,078	(190)	888	(114)
Toqio FinTech Holdings	1.2	838	29	867	29
Alto Prodotto Wind	7.4	486	329	815	(35)
Kew Green VCT (Stansted)	45.2	1,234	(455)	779	182
Regenerco Renewable Energy	4.5	451	279	730	–
Brytlyt	3.4	634	–	634	–
Accelex Technology	3.6	632	–	632	–
PeakData	1.3	564	52	616	52
Erin Solar	18.6	520	5	525	105
PerchPeek	1.7	503	–	503	–
uMedeor (T/A uMed)	3.2	501	2	503	2
GX Molecular (T/A CS Genetics)	1.7	496	–	496	–
Ophelos	1.7	433	–	433	–
OutThink	1.6	410	–	410	–
Arecor Therapeutics PLC	0.6	204	206	410	(211)
Dragon Hydro	7.3	250	154	404	(15)
Neurofenix	1.7	351	–	351	–
Harvest AD	0.0	307	30	337	32
AVESI	7.4	242	79	321	1
Imandra	1.3	175	109	284	(163)
Limitless Technology	1.8	471	(236)	235	(120)
Premier Leisure (Suffolk)	9.9	175	30	205	41
Greenenerco	3.9	99	65	164	(6)
Regulatory Genome Development	1.0	146	–	146	–
Symetrica	0.3	83	(17)	66	–
Forward Clinical (T/A Pando)	1.2	149	(147)	2	–
Concirus	2.0	1,072	(1,072)	–	(319)
Total fixed asset investments		35,536	8,479	44,015	1,051

*The cost includes the original cost from Albion Venture Capital Trust PLC and the carried over value on merger from Albion Prime VCT PLC as at 25 September 2012.

** As adjusted for additions and disposals during the period.

Portfolio of investments continued

Fixed asset investment realisations during the period to 30 September 2022	Cost* £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain £'000	Gain/ (loss) on opening value £'000
<u>Disposals:</u>					
Arecor Therapeutics PLC	45	135	106	61	(29)
Avora	750	18	–	(750)	(18)
<u>Loan stock repayments and other:</u>					
Alto Prodotto Wind	23	30	30	7	–
Dragon Hydro	14	14	14	–	–
Greenenerco	4	6	6	2	–
Escrow adjustments and other**	–	–	149	149	149
Total realisations	836	203	305	(531)	102

* The cost includes the original cost from Albion Venture Capital Trust PLC and the carried over value on merger from Albion Prime VCT PLC as at 25 September 2012.

** 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.

Total change in value of investments for the period	1,051
Movement in loan stock accrued interest	(71)
Unrealised gains sub-total	980
Realised gains in current period	102
Finance income from the unwinding of discount on deferred consideration	125
Total gains on investments as per Income statement	1,207

Condensed income statement

	Note	Unaudited six months ended 30 September 2022			Unaudited six months ended 30 September 2021			Audited year ended 31 March 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	1,207	1,207	–	2,940	2,940	–	6,553	6,553
Investment income	4	607	–	607	412	–	412	1,037	–	1,037
Investment management fee	5	(59)	(528)	(587)	(158)	(472)	(630)	(122)	(1,097)	(1,219)
Other expenses		(217)	–	(217)	(193)	–	(193)	(411)	–	(411)
Profit on ordinary activities before tax		331	679	1,010	61	2,468	2,529	504	5,456	5,960
Tax (charge)/credit on ordinary activities		(46)	46	–	(11)	11	–	(97)	98	1
Profit and total comprehensive income attributable to shareholders		285	725	1,010	50	2,479	2,529	407	5,554	5,961
Basic and diluted return per share (pence)*	7	0.24	0.60	0.84	0.05	2.47	2.52	0.39	5.38	5.77

* 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 2021 and the audited statutory accounts for the year ended 31 March 2022.

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 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
Fixed asset investments	44,015	34,595	37,604
Current assets			
Trade and other receivables	2,219	2,144	1,926
Cash and cash equivalents	17,901	24,125	24,668
	20,120	26,269	26,594
Total assets	64,135	60,864	64,198
Payables: amounts falling due within one year			
Trade and other payables	(508)	(877)	(261)
Total assets less current liabilities	63,627	59,987	63,937
Equity attributable to equity holders			
Called-up share capital 8	1,381	1,192	1,369
Share premium	11,121	43,061	10,047
Capital redemption reserve	31	25	22
Unrealised capital reserve	8,163	6,355	6,550
Realised capital reserve	6,805	4,816	7,693
Other distributable reserve	36,126	4,538	38,256
Total equity shareholders' funds	63,627	59,987	63,937
Basic and diluted net asset value per share (pence)*	52.90	58.80	53.38

* 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 2021 and the audited statutory accounts for the year ended 31 March 2022.

These Financial Statements were approved by the Board of Directors and authorised for issue on 7 December 2022, and were signed on its behalf by

Richard Glover
Chairman
Company number: 03142609

Condensed statement of changes in equity

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
At 1 April 2022	1,369	10,047	22	6,550	7,693	38,256	63,937
Return/(loss) and total comprehensive income for the period	–	–	–	980	(255)	285	1,010
Transfer of previously unrealised losses on realisations of investments	–	–	–	633	(633)	–	–
Purchase of shares for cancellation	(9)	–	9	–	–	(455)	(455)
Purchase of shares for treasury	–	–	–	–	–	(346)	(346)
Issue of equity	21	1,094	–	–	–	–	1,115
Cost of issue of equity	–	(20)	–	–	–	–	(20)
Net dividends paid (note 6)	–	–	–	–	–	(1,614)	(1,614)
At 30 September 2022	1,381	11,121	31	8,163	6,805	36,126	63,627
At 1 April 2021	1,165	40,668	7	3,588	21,829	5,431	72,688
Return/(loss) and total comprehensive income for the period	–	–	–	2,775	(296)	50	2,529
Transfer of previously unrealised gains on realisations of investments	–	–	–	(8)	8	–	–
Purchase of shares for cancellation	(17)	–	17	–	–	(943)	(943)
Issue of equity	44	2,410	–	–	–	–	2,454
Cost of issue of equity	–	(17)	–	–	–	–	(17)
Net dividends paid (note 6)	–	–	–	–	(16,724)	–	(16,724)
At 30 September 2021	1,192	43,061	25	6,355	4,816	4,538	59,987
At 1 April 2021	1,165	40,668	7	3,588	21,829	5,431	72,688
Return and total comprehensive income for the year	–	–	–	3,784	1,770	407	5,961
Transfer of previously unrealised gains on realisations of investments	–	–	–	(822)	822	–	–
Purchase of treasury shares	(39)	–	39	–	–	(2,013)	(2,013)
Issue of equity	243	12,694	–	–	–	–	12,937
Cost of issue of equity	–	(254)	–	–	–	–	(254)
Reduction of share premium and capital redemption reserve	–	(43,061)	(24)	–	–	43,085	–
Net dividends paid (note 6)	–	–	–	–	(16,728)	(8,654)	(25,382)
At 31 March 2022	1,369	10,047	22	6,550	7,693	38,256	63,937

* Included within these reserves is an amount of £23,008,000 (30 September 2021: £9,355,000; 31 March 2022: £26,804,000) which is considered distributable. Over the next three years an additional £17,018,000 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.

Condensed statement of cash flows

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
Cash flow from operating activities			
Loan stock income received	411	403	978
Deposit interest received	34	2	4
Dividend income received	91	7	7
Investment management fee paid	(431)	(790)	(1,434)
Other cash payments	(253)	(220)	(389)
UK Corporation tax refund/(paid)	–	97	(42)
Net cash flow from operating activities	(148)	(501)	(876)
Cash flow from investing activities			
Purchase of fixed asset investments	(5,849)	(4,180)	(7,771)
Disposal of fixed asset investments	423	191	4,649
Net cash flow from investing activities	(5,426)	(3,989)	(3,122)
Cash flow from financing activities			
Issue of share capital	822	–	8,941
Cost of issue of equity	(2)	(17)	(35)
Dividends paid*	(1,336)	(14,256)	(21,589)
Purchase of own shares (including costs)	(677)	(674)	(2,213)
Net cash flow from financing activities	(1,193)	(14,947)	(14,896)
Decrease in cash and cash equivalents	(6,767)	(19,437)	(18,894)
Cash and cash equivalents at start of period	24,668	43,562	43,562
Cash and cash equivalents at end of period	17,901	24,125	24,668

* The equity dividends paid in the cash flow is different to the dividends disclosed in note 6 due to the non-cash effect of the Dividend Reinvestment Scheme.

Notes to the condensed Financial Statements

1. Basis of preparation

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”). 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 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 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, 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 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

2. Accounting policies (continued)

Investment income

Equity income

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

Unquoted loan stock

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% 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 shares and the nominal value of the 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 period end against cost are included in this reserve.

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, or permanent diminutions in value (including gains recognised on the realisation of investment where consideration is deferred that are 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

3. Gains on investments

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
Unrealised gains on fixed asset investments	980	2,775	3,784
Realised gains on fixed asset investments	102	58	2,546
Unwinding of discount on deferred consideration	125	107	223
	1,207	2,940	6,553

4. Investment income

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
Loan stock interest	482	403	1,026
Dividend income	91	7	7
Bank interest	34	2	4
	607	412	1,037

5. Investment management fee

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
Investment management fee charged to capital	528	472	1,097
Investment management fee charged to revenue	59	158	122
	587	630	1,219

Further details of the Management agreement under which the investment management fee and any performance incentive fee is paid are given in the Strategic report on page 13 of the Annual Report and Financial Statements for the year ended 31 March 2022.

During the period, services of a total value of £617,000 (30 September 2021: £658,000; 31 March 2022: £1,274,000), were purchased by the Company from Albion Capital Group LLP; this includes £587,000 (30 September 2021: £630,000; 31 March 2022: £1,219,000) of investment management fee and £30,000 (30 September 2021: £28,000; 31 March 2022: £55,000) of secretarial and administration fee. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services disclosed within payables was £301,000 (30 September 2021: £199,000; 31 March 2022: £144,000).

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 2022, fees of £104,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2021: £98,000; 31 March 2022: £155,000).

Albion Capital Group LLP, its partners and staff held a total of 1,357,300 shares in the Company on 30 September 2022.

Notes to the condensed Financial Statements continued

6. Dividends

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
First interim dividend of 1.33p per share paid on 29 July 2022 (30 July 2021: First interim and first special dividend of 16.83p per share)	1,614	16,728	16,728
Second special dividend of 7.00p per share paid on 31 December 2021	–	–	7,141
Second interim dividend of 1.47p per share paid on 31 January 2022	–	–	1,523
Unclaimed dividends	–	(4)	(10)
	1,614	16,724	25,382

The Directors have declared a second interim dividend for the year ending 31 March 2023 of 1.32 pence per share (total approximately £1,725,000), payable on 31 January 2023 to shareholders on the register on 6 January 2023.

7. Basic and diluted return per share

	Unaudited six months ended 30 September 2022		Unaudited six months ended 30 September 2021		Audited year ended 31 March 2022	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return attributable to equity shares (£'000)	285	725	50	2,479	407	5,554
Weighted average shares in issue (adjusted for treasury shares)	120,975,277		100,483,335		103,265,706	
Return attributable per equity share (pence)	0.24	0.60	0.05	2.47	0.39	5.38

The weighted average number of shares is calculated after adjusting for treasury shares of 17,848,388 (30 September 2021: 17,153,431; 31 March 2022: 17,153,431).

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

8. Called-up share capital

Allotted, called-up and fully paid shares of 1 penny each	Unaudited 30 September 2022	Unaudited 30 September 2021	Audited 31 March 2022
Number of shares	138,135,653	119,164,991	136,927,633
Nominal value of allotted shares (£'000)	1,381	1,192	1,369
Voting rights (number of shares net of treasury shares)	120,287,265	102,011,560	119,774,202

During the period to 30 September 2022 the Company purchased 914,702 Ordinary shares (nominal value of £9,147) to be cancelled and 694,957 Ordinary shares (nominal value of £6,950) to be held in treasury (30 September 2021: 1,743,454 shares for cancellation; 31 March 2022: 3,919,566 shares for cancellation) at a total cost of £801,000 (30 September 2021: £943,000; 31 March 2022: £2,013,000) representing 1.2% of the shares in issue as at 30 September 2022.

Notes to the condensed Financial Statements continued

8. Called-up share capital (continued)

The total number of Ordinary shares held in treasury as at 30 September 2022 was 17,848,388 (30 September 2021: 17,153,431; 31 March 2022: 17,153,431) representing 12.9% of the share capital as at 30 September 2022.

Under the terms of the Dividend Reinvestment Scheme Circular dated 10 July 2008, the following new Ordinary shares of nominal value 1 penny per share were allotted during the period:

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 July 2022	525,971	5	52.05	272	49.55

The following new Ordinary shares of nominal value 1 penny each were allotted under the Albion VCTs Prospectus Top Up Offers 2021/22 during the period:

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)
11 April 2022	446,260	4	52.30	230	48.60
11 April 2022	23,806	–	52.50	12	48.60
11 April 2022	1,126,685	11	52.80	580	48.60
	1,596,751			822	

9. Commitments and contingencies

As at 30 September 2022, the Company had no financial commitments (30 September 2021 and 31 March 2022: £nil).

There are no contingencies or guarantees of the Company as at 30 September 2022 (30 September 2021 and 31 March 2022: £nil).

10. Post balance sheet events

The following are the material post balance sheet events since 30 September 2022:

- Investment of £1,207,000 in a new portfolio company, an employee digital healthcare platform;
- Investment of £839,000 in an existing company, Healios, a provider of an online platform delivering family centric psychological care primarily to children and adolescents;
- Investment of £343,000 in a new portfolio company, an AI for code testing/writing platform;
- Investment of £286,000 in a new portfolio company, a veterinary engagement and communications platform;
- Investment of £229,000 in a new portfolio company, a bite-sized workplace learning platform; and
- Investment of £227,000 in a new portfolio company, a software platform automating revenue and customer forecasting.

Notes to the condensed Financial Statements continued

10. Post balance sheet events (continued)

The following new Ordinary shares of nominal value 1 penny each were allotted under the Albion VCTs Prospectus Top Up Offers 2022/23 after 30 September 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)
2 December 2022	2,520,630	25	53.80	1,336	50.00
2 December 2022	575,473	6	54.00	305	50.00
2 December 2022	7,301,049	73	54.30	3,865	50.00
	10,397,152			5,506	

11. Related party transactions

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

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 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 70 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 2022 and 30 September 2021 and is unaudited. The information for the year ended 31 March 2022 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

14. Publication

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



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