



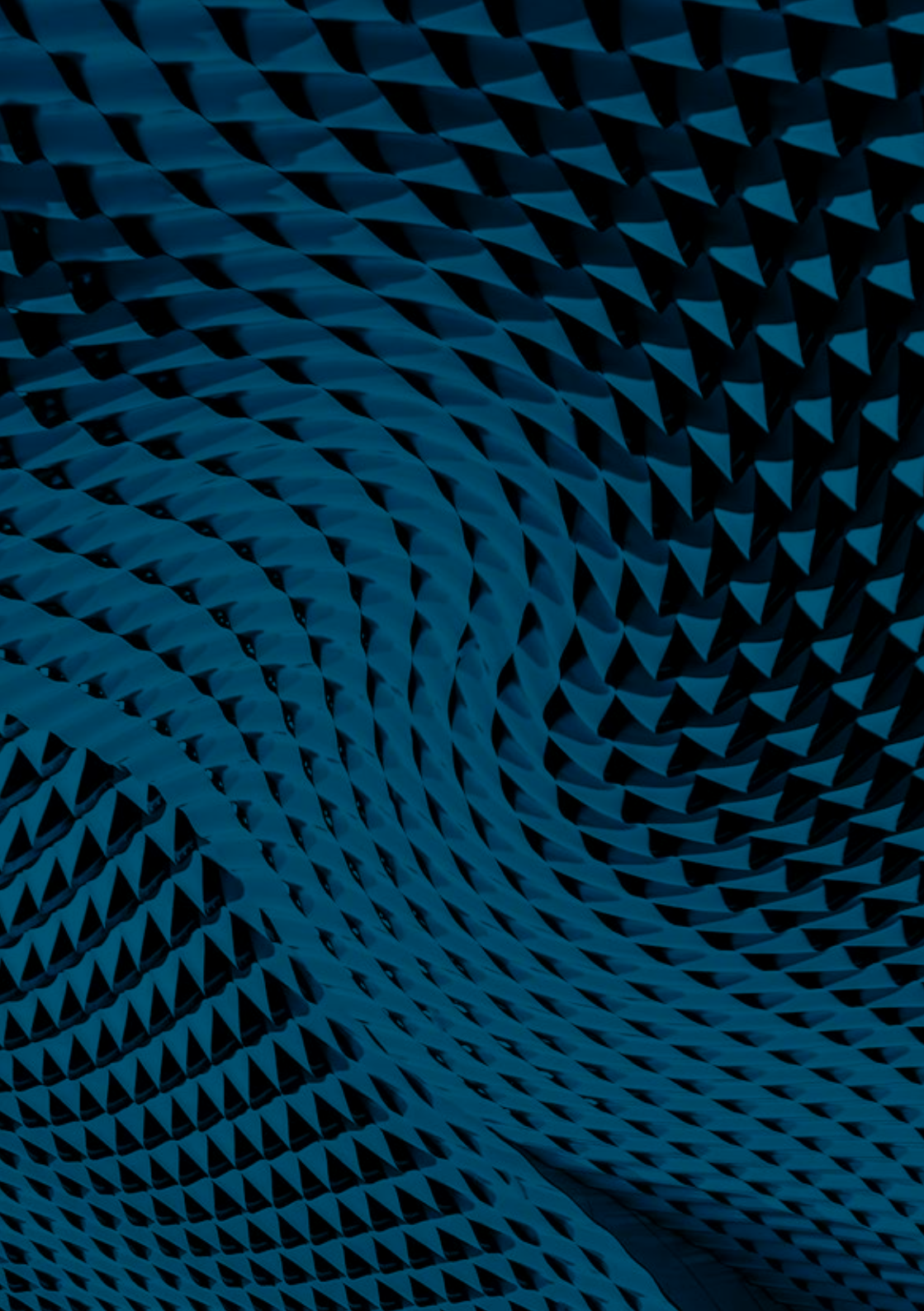
# 2023

## Kings Arms Yard VCT PLC

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Half-yearly Financial Report (unaudited)  
for the six months to 30 June 2023

**AlbionCapital**



# Kings Arms Yard VCT PLC

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for the six months to 30 June 2023

# COMPANY INFORMATION

<b>Company name</b>	<b>Country of incorporation</b>	<b>Legal form</b>
Kings Arms Yard VCT PLC (the "Company")	United Kingdom	Public Limited Company
<b>Directors</b>	<b>Company number</b>	<b>Auditor</b>
F Wollocombe, Chairman T W Chambers S Pathakji S Thorpe (appointed 1 Sept 2023)	03139019	BDO LLP 55 Baker Street London, W1U 7EU
<b>Manager, company secretary, AIFM and registered office</b>	<b>Registrar</b>	<b>Corporate broker</b>
Albion Capital Group LLP 1 Benjamin Street London, EC1M 5QL	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol, BS99 6ZZ	Panmure Gordon (UK) Limited 40 Gracechurch Street London, EC3V 0BT
<b>Taxation adviser</b>	<b>Legal adviser</b>	<b>Depository</b>
Philip Hare & Associates LLP 6 Snow Hill London, EC1A 2AY	Howard Kennedy LLP 1 London Bridge London, SE1 9BG	Ocorian Depository (UK) Limited Level 5, 20 Fenchurch Street London, EC3M 3BY

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

## Shareholder information

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

Tel: 0370 873 5858 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls are recorded)

Website: [www.investorcentre.co.uk](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.



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# 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 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% 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

6 October 2023	Record date for second dividend
31 October 2023	Payment of second dividend
31 December	Financial year end

# FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June 2023 (pence per share)	Unaudited six months ended 30 June 2022 (pence per share)	Audited year ended 31 December 2022 (pence per share)
Opening net asset value	20.95	23.05	23.05
Capital return	0.75	0.55	0.07
Revenue return	0.06	0.05	0.09
Total return	0.81	0.60	0.16
Dividends paid	(0.52)	(0.58)	(2.30)
Impact of share capital movements	0.04	-	0.04
Net asset value	21.28	23.07	20.95

## Shareholder return and shareholder value

Shareholder value from launch to 1 January 2011:	(pence per share)
Subscription price per share at launch	100.00
Total dividends paid to 1 January 2011	58.66
Decrease in net asset value	(83.40)
<b>Total shareholder value to 1 January 2011</b>	<b>75.26</b>

Shareholder return from 1 January 2011 to 30 June 2023 (period that Albion Capital has been investment manager):	
Total dividends paid	15.34
Increase in net asset value	4.68
<b>Total shareholder return from 1 January 2011 to 30 June 2023</b>	<b>20.02</b>

Shareholder value since launch:	
Total dividends paid to 30 June 2023	74.00
Net asset value as at 30 June 2023	21.28
<b>Total shareholder value as at 30 June 2023</b>	<b>95.28</b>

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.

The Directors have declared a second dividend of 0.53 pence per share for the year ending 31 December 2023, which will be paid on 31 October 2023 to shareholders on the register on 6 October 2023.

# INTERIM MANAGEMENT REPORT



Fiona Wollocombe  
Chairman

## Introduction

In the six months to 30 June 2023, the Company generated a total return of 0.81 pence per share, representing a 3.9% return on opening NAV. During the period, the Company continued to face a difficult macroeconomic and geopolitical backdrop, including persistent high levels of inflation, rising interest rates and volatility of quoted technology company valuations. Despite this, the Board is encouraged by the positive total return generated by the Company and optimistic that many of the portfolio companies will continue to grow.

## Valuations and results

The total gain on investments for the six-month period was £4.8 million (30 June 2022: gain of £3.5 million). The key movement to the total gain was Quantexa increasing its value by £6.1 million following an externally led \$129 million Series E fundraising, which completed in April 2023. The latest funding round made it the first UK “Unicorn” of 2023 (a private company valuation over \$1 billion) and the Board is excited about its future prospects.

Other gains in the period included Ophelos, Accelex Technology and Proveca, which resulted in a combined uplift of £1.2 million to the portfolio. These gains were partially offset by write downs in Black Swan Data, which decreased by £1.1 million, Neurofenix by £0.3 million and Locum’s Nest by £0.2 million.

The NAV per share has increased to 21.28 pence per share (30 June 2022: 23.07 pence per share; 31 December 2022: 20.95 pence per share).

Our top 3 portfolio companies, being Quantexa, Proveca and Egress Software Technologies, now account for 28.7% of the Company’s NAV (30 June 2022: 22.5%; 31 December 2022: 24.2%).

Further details of the portfolio of investments and investment realisations can be found on pages 12 to 14.

## Dividends and results

In line with our dividend policy targeting around 5% of NAV per annum the Company paid a first dividend of 0.52 pence per share during the period to 30 June 2023 (30 June 2022: 0.58 pence per share). The Company will pay a second dividend for the financial year ending 31 December 2023 of 0.53 pence per share on 31 October 2023 to shareholders on the register on 6 October 2023, being 2.5% of the 30 June 2023 NAV.

This will bring the total regular dividends paid for the year ending 31 December 2023 to 1.05 pence per share, which equates to a 5.0% yield on the opening NAV of 20.95 pence per share, in line with the Board’s dividend target.



## Investment activity

Given the economic uncertainty of high inflation and rising interest rates, in addition to the 15 new investments the Company made in 2022, the first half of 2023 has been more subdued in terms of new investment activity. During the period the Company has invested £0.9 million in existing portfolio companies, the largest being £0.5 million into Proveca, which specialises in the reformulation of medicines for children, £0.2 million into Seldon Technologies, which enables enterprises to deploy Machine Learning models in production, and £0.2 million into Symetrica, a designer and manufacturer of radiation detection equipment.

Investment activity has started to increase after the period end, with £1.8 million invested into new and follow-on investments since 30 June 2023.

## 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 2023.

### Investment portfolio by sector

- Cash and other net assets 26% (26%)
- Healthcare (including digital healthcare) 21% (22%)
- Renewable energy 10% (10%)
- FinTech 18% (14%)
- Software & technology 24% (27%)
- Business services and other 1% (1%)

Comparatives for 31 December 2022 are shown in brackets



## Board composition and succession planning

As part of the Board's succession planning, we are pleased to welcome Simon Thorpe as a Director with effect from 1 September 2023. Simon is a qualified Chartered Accountant and former chairman, and current Director, of Cambridge Angels with extensive experience of analysing and investing in early-stage public and private companies in the technology and technology enabled healthcare sectors. His previous roles include him working as the Chief Operating Officer for European Equity Research and UBS Global Equity Research.

The Nomination Committee continually monitors and reviews the membership of the Board based on the spread of skills and contributions of its members, as well as looking at succession planning requirements of the Company.

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

## Risks and uncertainties

The Company faces a number of significant risks including rising interest rates, persistent high levels of inflation, geopolitical tensions, and an expected period of economic stagnation, or even recession, in the UK.

Our investment portfolio, while concentrated mainly in the technology and healthcare sectors, remains diversified in terms of both sub-sector and stage of maturity.

In accordance with Disclosure Guidance and Transparency Rule (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 2022. The current high levels of inflation and geopolitical tensions 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, technology and valuation risk;
- VCT approval risk;
- Regulatory and compliance risk;
- Operational and internal control risk;
- Cyber and data security risk;
- Economic, political and social risk;
- Environmental, social and governance ("ESG") risk; and
- Liquidity 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 2022 on pages 23 to 26, 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.

## Albion VCTs Top Up Offer

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As announced in the Annual Report and Financial Statements for the year ended 31 December 2022, the Board was pleased the 2022/23 Offer was fully subscribed and closed, 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. Details on the share allotments during the period can be found in note 7.

## Shareholder seminar

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The Board is pleased to report that the next Shareholder Seminar will be held in person at the Royal College of Surgeons, Lincoln's Inn Field, London on 15 November 2023 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 "Shareholder Seminar" and include your full name. You will receive an email confirmation of your place, subject to availability.

## Move to electronic communications

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The Board wishes to minimise the environmental impact of how the Company communicates with its shareholders. With this in mind, those shareholders that continue to receive physical copies of the Annual Report and other documentation, will receive a letter alongside this half-yearly financial report explaining the forthcoming move to electronic communications.

## Prospects

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The Board is cautious of the risks and uncertainties referred to above, but are assured that the portfolio remains well diversified, with companies at different stages of maturity and targeted at sectors such as healthcare, mission critical software and a minimal exposure to consumer expenditure. We believe that these sectors can continue to provide opportunities for resilient growth, yielding positive results for the Company and its shareholders in the longer-term.

**Fiona Wollocombe**

Chairman

22 September 2023

# PORTFOLIO OF INVESTMENTS

	% voting rights	As at 30 June 2023			Change in value for the period <sup>(2)</sup> £'000
		Cost <sup>(1)</sup> £'000	Cumulative movement in value £'000	Value £'000	
<b>Fixed asset investments</b>					
Quantexa	1.3	1,329	13,945	15,274	6,148
Proveca	15.2	2,792	7,623	10,415	210
Egress Software Technologies	4.8	1,644	4,594	6,238	(123)
Chonais River Hydro	6.5	2,428	1,016	3,444	123
Oviva	1.6	1,489	671	2,160	(214)
The Evewell Group	4.4	1,057	960	2,017	19
Healios	2.6	1,591	417	2,008	-
Gravitee Topco (T/A Gravitee.io)	3.8	1,561	400	1,961	-
The Street by Street Solar Programme	10.0	1,040	768	1,808	(106)
Academia	2.3	351	1,361	1,712	105
Toqio FinTech Holdings	2.1	1,498	-	1,498	-
Regenerco Renewable Energy	9.8	988	497	1,485	(144)
TransFICC	2.4	1,305	148	1,453	-
Celoxica Holdings PLC	4.4	513	926	1,439	-
Runa Network	1.7	1,164	209	1,373	-
NuvoAir Holdings	2.4	971	399	1,370	(70)
Peppy Health	1.5	1,359	-	1,359	-
Ophelos	2.8	724	606	1,330	606
Threadneedle Software Holdings (T/A Solidatus)	1.5	917	369	1,286	(188)
Alto Prodotto Wind	11.1	706	499	1,205	54
Seldon Technologies	3.4	1,178	-	1,178	-
PerchPeek	3.6	1,142	-	1,142	-
PeakData	2.3	1,009	59	1,068	(17)
Cantab Research (T/A Speechmatics)	1.1	898	158	1,056	(126)
Sift	42.1	2,256	(1,244)	1,012	(157)
Dragon Hydro	17.2	590	421	1,011	42
Accelex Technology	3.6	630	340	970	340
Symetrica	3.7	835	128	963	109
Convertr Media	3.0	482	444	926	(17)
Gharagain River Hydro	5.0	620	269	889	57
GX Molecular (T/A CS Genetics)	3.0	871	-	871	-
Panaseer	1.4	510	242	752	(128)
Elliptic Enterprises	0.5	750	-	750	-
OutThink	2.6	644	-	644	-

	% voting rights	As at 30 June 2023			Change in value for the period <sup>(2)</sup> £'000
		Cost <sup>(1)</sup> £'000	Cumulative movement in value £'000	Value £'000	
<b>Fixed asset investments</b>					
Diffblue	2.6	597	-	597	-
AVESI	14.8	484	101	585	(62)
Brytlyt	3.4	713	(168)	545	(168)
InCrowd Sports	2.1	321	217	538	82
Beddlestead	5.1	606	(72)	534	(22)
PetsApp	2.7	497	-	497	-
Aridhia Informatics	2.1	409	32	441	(66)
Locum's Nest	3.8	452	(39)	413	(244)
5Mins AI	2.2	398	-	398	-
Greenenerco	8.6	211	157	368	18
Koru Kids	1.3	430	(121)	309	(52)
uMedeor (T/A uMed)	1.4	228	80	308	78
Cisiv	2.1	277	13	290	124
Arecor Therapeutics PLC	0.4	149	124	273	(9)
Ramp Software	1.7	255	-	255	-
Neurofenix	2.7	552	(312)	240	(312)
Regulatory Genome Development	1.1	173	59	232	59
Tem Energy	1.6	206	-	206	-
Imandra	1.0	138	60	198	(9)
Erin Solar	5.7	160	4	164	-
Anthropics Technology	13.8	19	110	129	(11)
InFact Systems (T/A InFact)	1.7	90	-	90	-
Harvest AD	-	70	7	77	-
Black Swan Data	4.1	2,002	(1,970)	32	(1,076)
Mirada Medical	0.6	390	(375)	15	-
Xention	10.6	38	(28)	10	-
uMotif	3.6	979	(978)	1	(103)
Limitless Technology	1.4	383	(383)	-	(193)
Other holdings (2 companies)	-	2	-	2	-
<b>Total fixed asset investments</b>		<b>49,071</b>	<b>32,743</b>	<b>81,814</b>	<b>4,557</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 2023 to the closing balance as at 30 June 2023 after adjustments for additions and disposals.



## Portfolio of investments

Realisations in the period to 30 June 2023	Cost £'000	Opening value £'000	Disposal proceeds £'000	Realised (loss)/gain £'000	Gain/(loss) on opening or acquired value £'000
<b>Disposals:</b>					
Zift Channel Solutions	320	118	168	(152)	50
Arecor Therapeutics PLC	82	154	160	78	6
Forward Clinical (T/A Pando)	184	-	-	(184)	-
ErgoMed PLC	-	1	-	-	(1)
<b>Loan stock repayments and other:</b>					
Alto Prodotto Wind	33	49	49	16	-
Greenenerco	9	13	13	4	-
Escrow adjustments*	-	-	506	50	50
<b>Total</b>	<b>628</b>	<b>335</b>	<b>440</b>	<b>(188)</b>	<b>105</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>£'000</b>
<b>Total change in value of investments for the period</b>	<b>4,557</b>
Movement in loan stock accrued interest	20
<b>Unrealised gains on fixed asset investments sub-total</b>	<b>4,577</b>
Realised gains in current period	105
Unwinding of discount on deferred consideration	126
<b>Total gains on investments as per Income statement</b>	<b>4,808</b>

# RESPONSIBILITY STATEMENT

The Directors, Fiona Wollocombe, Thomas Chambers, Swarupa Pathakji and Simon Thorpe, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 June 2023 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).

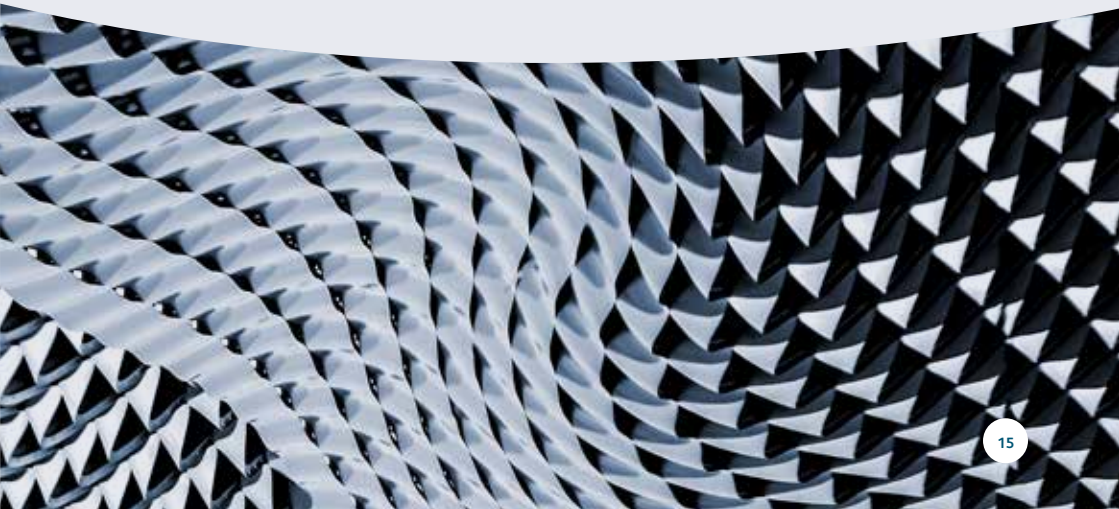
This Half-yearly Financial Report has not been audited or reviewed by the Auditor.

For and on behalf of the Board

**Fiona Wollocombe**

Chairman

22 September 2023



# CONDENSED INCOME STATEMENT

	Note	Unaudited six months ended 30 June 2023			Unaudited six months ended 30 June 2022			Audited year ended 31 December 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	-	4,808	4,808	-	3,507	3,507	-	2,237	2,237
Investment income	3	673	-	673	544	-	544	1,079	-	1,079
Investment Manager's fees	4	(110)	(990)	(1,100)	(107)	(964)	(1,071)	(214)	(1,923)	(2,137)
Other expenses		(234)	-	(234)	(224)	-	(224)	(453)	-	(453)
<b>Profit on ordinary activities before tax</b>		<b>329</b>	<b>3,818</b>	<b>4,147</b>	<b>213</b>	<b>2,543</b>	<b>2,756</b>	<b>412</b>	<b>314</b>	<b>726</b>
Tax charge on ordinary activities		-	-	-	-	-	-	-	-	-
<b>Profit and total comprehensive income attributable to shareholders</b>		<b>329</b>	<b>3,818</b>	<b>4,147</b>	<b>213</b>	<b>2,543</b>	<b>2,756</b>	<b>412</b>	<b>314</b>	<b>726</b>
Basic and diluted return per share (pence)*	6	0.06	0.75	0.81	0.05	0.55	0.60	0.09	0.07	0.16

\* adjusted for treasury shares

The accompanying notes on pages 20 to 26 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 2022 and the audited statutory accounts for the year ended 31 December 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

	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Note	£'000	£'000	£'000
<b>Fixed asset investments</b>	<b>81,814</b>	69,013	76,706
<b>Current assets</b>			
Trade and other receivables	1,819	2,001	1,773
Cash in bank and at hand	28,690	38,813	26,179
	<b>30,509</b>	40,814	27,952
<b>Payables: amounts falling due within one year</b>			
Trade and other payables	(1,192)	(866)	(659)
<b>Net current assets</b>	<b>29,317</b>	39,948	27,293
<b>Total assets less current liabilities</b>	<b>111,131</b>	108,961	103,999
<b>Equity attributable to equity holders</b>			
Called-up share capital	7 6,101	5,460	5,757
Share premium	21,016	7,848	13,888
Capital redemption reserve	-	-	-
Unrealised capital reserve	32,503	27,512	27,634
Realised capital reserve	5,624	9,026	6,675
Other distributable reserve	45,887	59,115	50,045
<b>Total equity shareholders' funds</b>	<b>111,131</b>	108,961	103,999
<b>Basic and diluted net asset value per share (pence)*</b>	<b>21.28</b>	23.07	20.95

\*excluding treasury shares

The accompanying notes on pages 20 to 26 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 2022 and the audited statutory accounts for the year ended 31 December 2022.

The Financial Statements were approved by the Board of Directors, and authorised for issue on 22 September 2023 and were signed on its behalf by

**Fiona Wollocombe**

Chairman

Company number: 03139019

# CONDENSED STATEMENT OF CHANGES IN EQUITY

	Called-up share capital	Share premium	Capital redemption reserve	Unrealised capital reserve	Realised capital reserve*	Other distributable reserve*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2023</b>	<b>5,757</b>	<b>13,888</b>	-	<b>27,634</b>	<b>6,675</b>	<b>50,045</b>	<b>103,999</b>
Profit/(loss) and total comprehensive income for the period	-	-	-	4,577	(759)	329	4,147
Transfer of previously unrealised losses on disposal of investments	-	-	-	292	(292)	-	-
Purchase of shares for treasury	-	-	-	-	-	(1,752)	(1,752)
Issue of equity	344	7,329	-	-	-	-	7,673
Cost of issue of equity	-	(201)	-	-	-	-	(201)
Dividends paid	-	-	-	-	-	(2,735)	(2,735)
<b>At 30 June 2023</b>	<b>6,101</b>	<b>21,016</b>	-	<b>32,503</b>	<b>5,624</b>	<b>45,887</b>	<b>111,131</b>
At 1 January 2022	5,103	60,854	11	29,199	4,796	1,868	101,831
Profit/(loss) 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>	<b>5,460</b>	<b>7,848</b>	-	<b>27,512</b>	<b>9,026</b>	<b>59,115</b>	<b>108,961</b>
At 1 January 2022	5,103	60,854	11	29,199	4,796	1,868	101,831
Profit/(loss) and total comprehensive income for the period	-	-	-	(1,269)	1,583	412	726
Transfer of previously unrealised gains on disposal of investments	-	-	-	(296)	296	-	-
Purchase of own shares for treasury	-	-	-	-	-	(2,254)	(2,254)
Issue of equity	654	14,247	-	-	-	-	14,901
Cost of issue of equity	-	(359)	-	-	-	-	(359)
Dividends paid	-	-	-	-	-	(10,846)	(10,846)
Cancellation of share premium and capital redemption reserve	-	(60,854)	(11)	-	-	60,865	-
<b>At 31 December 2022</b>	<b>5,757</b>	<b>13,888</b>	-	<b>27,634</b>	<b>6,675</b>	<b>50,045</b>	<b>103,999</b>

\*These reserves include an amount of £23,428,000 (30 June 2022: £32,896,000; 31 December 2022: £22,036,000) which is considered distributable. Over the next three years an additional £25,029,000 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 20 to 26 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 2022 and the audited statutory accounts for the year ended 31 December 2022.



# CONDENSED STATEMENT OF CASH FLOWS

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
<b>Cash flow from operating activities</b>			
Investment income received	398	348	725
Bank interest received	142	14	68
Interest from fixed term funds received	95	9	59
Dividend income received	17	71	125
Investment Manager's fees paid	(1,041)	(2,059)	(3,166)
Other cash payments	(275)	(258)	(448)
UK corporation tax paid	-	-	-
<b>Net cash flow generated from operating activities</b>	<b>(664)</b>	<b>(1,875)</b>	<b>(2,637)</b>
<b>Cash flow from investing activities</b>			
Purchase of fixed asset investments	(885)	(5,977)	(15,249)
Disposal of fixed asset investments	539	8,260	8,818
<b>Net cash flow generated from investing activities</b>	<b>(346)</b>	<b>2,283</b>	<b>(6,431)</b>
<b>Cash flow from financing activities</b>			
Issue of share capital	7,080	7,808	12,926
Cost of issue of equity	(19)	-	(52)
Purchase of own shares (including costs)	(1,250)	(922)	(2,254)
Equity dividends paid*	(2,290)	(2,326)	(9,218)
<b>Net cash flow generated from financing activities</b>	<b>3,521</b>	<b>4,560</b>	<b>1,402</b>
<b>Increase/(decrease) in cash in bank and at hand</b>	<b>2,511</b>	<b>4,968</b>	<b>(7,666)</b>
Cash in bank and at hand at start of period	26,179	33,845	33,845
<b>Cash in bank and at hand at end of period</b>	<b>28,690</b>	<b>38,813</b>	<b>26,179</b>

\* 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 20 to 26 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 2022 and the audited statutory accounts for the year ended 31 December 2022.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. Accounting policies

### 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”) 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 2022 and further detail on the valuation techniques used are outlined below.

Company information can be found on page 4.

### 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,

other valuation techniques are employed to conclude on the fair value as at the measurement 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. Deferred consideration meets 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.

### **Investment income**

#### *Dividend 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.

#### *Fixed term funds income*

Funds income is recognised on an accruals basis using the agreed rate of interest.

#### *Bank deposit 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.

## 2. Gains on investments

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Unrealised gains/(losses) on fixed asset investments	4,577	(77)	(1,269)
Realised gains on fixed asset investments	105	3,477	3,282
Unwinding of discount on deferred consideration	126	107	224
	<b>4,808</b>	<b>3,507</b>	<b>2,237</b>

## 3. Investment income

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Loan stock interest	378	421	827
Bank interest	142	14	68
Income from fixed term funds	95	9	59
Dividends	58	100	125
	<b>673</b>	<b>544</b>	<b>1,079</b>

## 4. Investment Manager's fee

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Investment management fee charged to revenue	110	107	214
Investment management fee charged to capital	990	964	1,923
	<b>1,100</b>	<b>1,071</b>	<b>2,137</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 18 and 19 of the Annual Report and Financial Statements for the year ended 31 December 2022.

During the period, services with a value of £1,100,000 (30 June 2022: £1,071,000; 31 December 2022: £2,137,000) and £25,000 (30 June 2022: £25,000; 31 December 2022: £50,000) were purchased by the Company from Albion Capital Group LLP ("Albion") in respect of management and administration fees respectively. At the period end, the amount due to Albion in respect of these services disclosed as accruals was £592,000 (30 June 2022: £574,000; 31 December 2022: £534,000). For the period to 30 June 2023, 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 2022: £nil; 31 December 2022: £nil).

Albion is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period, fees of £62,000 (30 June 2022: £116,000; 31 December 2022: £274,000) attributable to the investments of the Company were paid pursuant to these arrangements.

Albion, its partners and staff hold 3,458,571 Ordinary shares in the Company as at 30 June 2023.



## Notes to the condensed Financial Statements

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

### 5. Dividends

	<b>Unaudited</b> six months ended <b>30 June 2023</b> £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Special dividend of 1.14 pence per share paid on 29 July 2022	-	-	5,385
Second dividend of 0.58 pence per share paid on 31 October 2022	-	-	2,761
First dividend of 0.52 pence per share paid on 28 April 2023 (29 April 2022: 0.58 pence per share)	2,743	2,742	2,742
Unclaimed dividends returned to the Company	(8)	-	(42)
	<b>2,735</b>	2,742	10,846

The Directors have declared a second dividend of 0.53 pence per share for the year ending 31 December 2023, which will be paid on 31 October 2023 to shareholders on the register on 6 October 2023.

### 6. Basic and diluted return per share

	<b>Unaudited</b> six months ended <b>30 June 2023</b>		Unaudited six months ended 30 June 2022		Audited year ended 31 December 2022	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Profit attributable to shareholders (£'000)	<b>329</b>	<b>3,818</b>	213	2,543	412	314
Weighted average shares in issue (adjusted for treasury shares)	<b>510,894,955</b>		463,540,737		471,274,000	
Return attributable per equity share (pence)	<b>0.06</b>	<b>0.75</b>	0.05	0.55	0.09	0.07

The weighted average number of Ordinary shares is calculated after adjusting for treasury shares of 87,982,092 (30 June 2022: 73,661,999; 31 December 2022: 79,380,503).

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

### 7. Called-up share capital

	<b>Unaudited</b> 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Allotted, called-up and fully paid Ordinary shares of 1 penny each			
Number of shares	<b>610,110,901</b>	546,010,920	575,728,901
Nominal value of allotted shares (£'000)	<b>6,101</b>	5,460	5,757
Voting rights (number of shares net of treasury shares)	<b>522,128,809</b>	472,348,921	496,348,398

The Company operates a share buy-back programme, as detailed in the Interim management report on page 10. During the period the Company purchased 8,601,589 Ordinary shares with a nominal value of £86,016 (30 June 2022: 5,052,674; 31 December 2022: 10,771,178) representing 1.4% of the issued called-up share capital as at 30 June 2023, at a cost of £1,752,000 (30 June 2022: £1,089,000; 31 December 2022: £2,254,000), including stamp duty, to be held in treasury. The Company holds a total of 87,982,092 Ordinary shares in treasury, representing 14.4% of the issued Ordinary share capital as at 30 June 2023.

During the period from 1 January 2023 to 30 June 2023, 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)
28 April 2023	1,933,358	19	21.27	391	20.30

Under the terms of the Albion VCTs Prospectus Top Up Offers 2022/23, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 June 2023:

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)
31 March 2023	31,071,626	311	22.40	6,786	20.70
14 April 2023	195,210	2	21.60	42	20.30
14 April 2023	114,678	1	21.80	24	20.30
14 April 2023	1,067,128	11	21.90	228	20.30
	32,448,642			7,080	

## 8. Commitments, contingencies and guarantees

As at 30 June 2023, the Company had no financial commitments (30 June 2022: £nil; 31 December 2022: £nil).

There were no contingent liabilities or guarantees given by the Company as at 30 June 2023 (30 June 2022: £nil; 31 December 2022: £nil).

## 9. Post balance sheet events

Since 30 June 2023, there have not been any material post balance sheet events.

## 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.

## 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 pages 87 and 88 of those accounts.

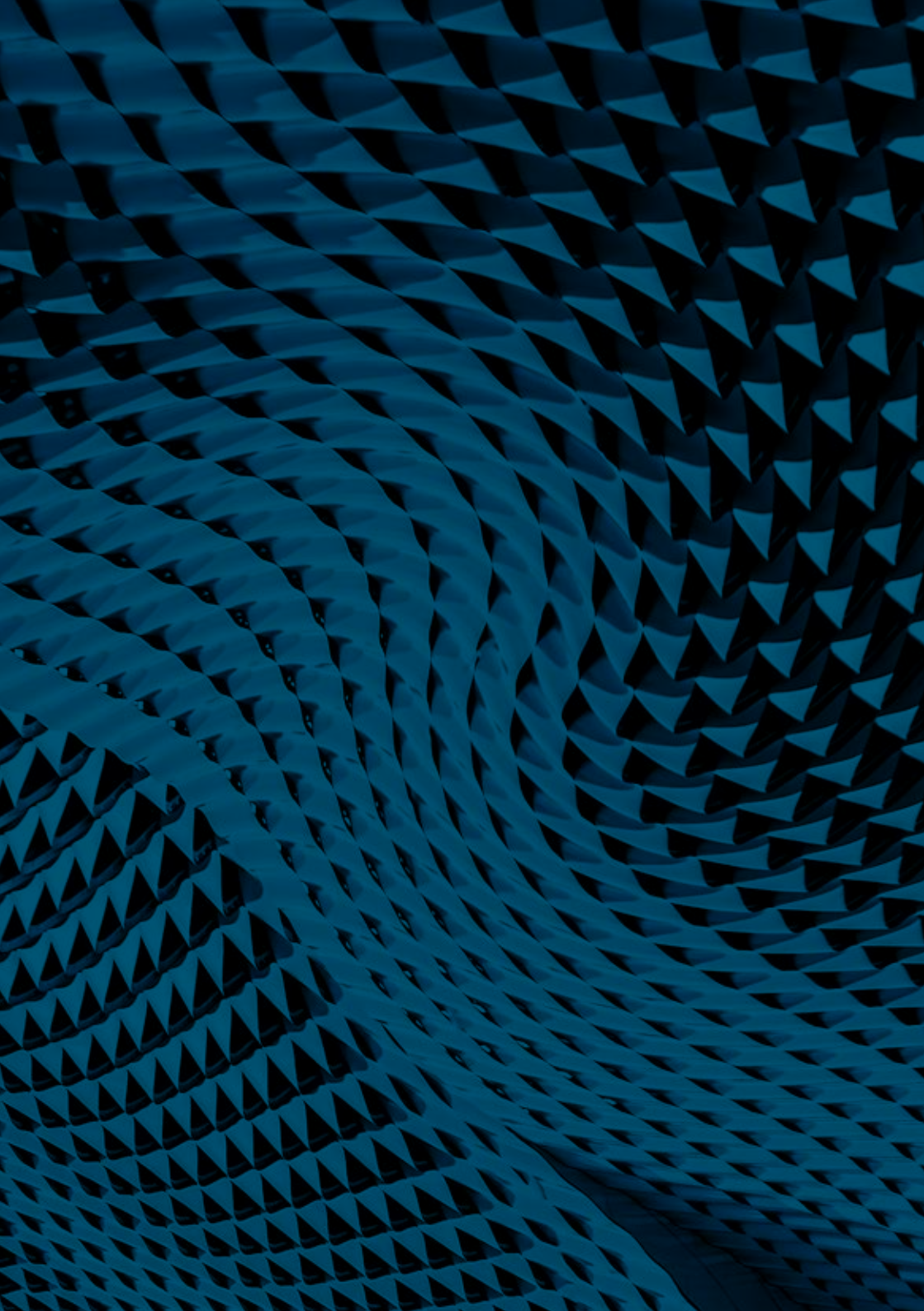
The portfolio of investments is diversified in terms of sector and the major cash outflows of the Company (namely investments, dividends and share buy-backs) are within the Company's control. Accordingly, after making diligent enquiries, the Directors have a reasonable expectation that the Company has 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 in 2021.

## 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 2023 and 30 June 2022, and is unaudited. The information for the year ended 31 December 2022 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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