

Kings Arms Yard VCT PLC



Half-yearly Financial Report
(unaudited) for the
six months to 30 June 2019

2019



AlbionCapital



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



Company information

Company number	03139019
Directors	R A Field, Chairman T W Chambers M G Fiennes F Wollocombe
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 Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	Philip Hare & Associates LLP 1 st Floor 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
Depository	Ocorian (UK) Limited 11 Old Jewry London, EC2R 8DU

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

Shareholder information	<p>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 may be recorded) Website: www.investorcentre.co.uk</p> <p>Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website.</p>
Financial adviser information	<p>For enquiries relating to the performance of the Company, and information for financial advisers, please contact Albion Capital Group LLP: Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon-Fri, calls are recorded) Email: info@albion.capital Website: www.albion.capital</p> <p>Please note that these contacts are unable to provide financial or taxation advice.</p>

Investment policy

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

Investment policy

The Company will invest in a broad portfolio of higher growth businesses across a variety of sectors of the UK economy including higher risk technology companies. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified both in terms of sector and stage of maturity of company.

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

Risk diversification and maximum exposures

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

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

Financial calendar

Record date for second dividend	4 October 2019
Payment date of second dividend	31 October 2019
Financial year end	31 December

Financial highlights

	Unaudited six months ended 30 June 2019 (pence per share)	Unaudited six months ended 30 June 2018 (pence per share)	Audited year ended 31 December 2018 (pence per share)
Opening net asset value	22.78	21.60	21.60
Revenue return	0.24	0.15	0.34
Capital return	0.11	1.62	2.04
Total return	0.35	1.77	2.38
Dividends paid	(0.60)	(0.60)	(1.20)
Impact of fundraising/buybacks	–	(0.03)	–
Net asset value	22.53	22.74	22.78

	From Launch to 31 December 2010 (pence per share)	1 January 2011 to 30 June 2019 (pence per share)	From Launch to 30 June 2019 (pence per share)
Total shareholder return			
Subscription price per share at launch	100.00	–	100.00
Dividends paid	58.66	8.47	67.13
(Decrease)/increase in net asset value	(83.40)	5.93	(77.47)
Total shareholder return	75.26	14.40	89.66

Current annual dividend objective (pence per share) 1.20

The Directors have declared a second dividend of 0.60 pence per share for the year ending 31 December 2019, which will be paid on 31 October 2019 to shareholders on the register on 4 October 2019.

The above financial summary is for the Company, Kings Arms Yard VCT PLC only.

Interim management report

Introduction

The total return for the six month period to 30 June 2019 was 0.35 pence per share (1.5% on opening net asset value), compared to a total return of 1.77 pence per share for the six month period to 30 June 2018.

Results

Net asset value decreased from 22.78 pence per share at 31 December 2018 to 22.53 pence per share at 30 June 2019, following the payment of a 0.60 pence per share dividend on 30 April 2019.

Dividends

Progress to date gives the Board confidence in the sustainability of our dividend policy and we are therefore pleased to announce a further dividend of 0.60 pence per share to be paid on 31 October 2019, to shareholders on the register on 4 October 2019. The annual dividend target per share of 1.20 pence represents a tax free yield of 5.5% on the mid-market share price of 21.90 pence per share as at 30 June 2019. The Company continues to offer a Dividend Reinvestment Scheme whereby shareholders can elect to receive dividends in the form of new shares.

Valuations

The net effect of the Board's regular portfolio revaluation has been an overall gain on investments of £0.9m. The key movements in the period include: a £1.3m uplift in the valuation of Proveca, a £0.3m uplift in the valuation of OmPrompt Holdings, offset by a £1.0m reduction in the valuation of Anthropics Technology.

Further details of the portfolio of investments can be found on pages 8 to 10.

Investment activity

There has been a good level of investment activity in the six months ended 30 June 2019. The Company has invested £1.1m into four new portfolio companies, with the expectation of further funding rounds over time to support success. In addition, the Company invested £2.0m to support growth in existing portfolio companies.

New investments in the period included:

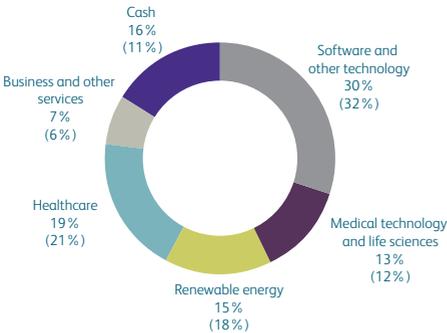
- An initial investment of £510,000 (Albion VCTs: £3.0m) in Avora, a developer of software to improve decision making through augmented analytics and machine learning;
- An initial investment of £260,000 (Albion VCTs: £2.0m) in Limitless Technology, a provider of a customer service platform powered by the crowd and machine learning technology;
- An initial investment of £203,000 (Albion VCTs: £1.9m) in Clear Review, a provider of Human Resources software to mid-market enterprises;
- An initial investment of £91,000 (Albion VCTs: £0.8m) in Imandra, a provider of automated software testing and an enhanced learning experience for artificial neural networks.

In the period, the Company sold all of its remaining quoted securities in ErgoMed generating proceeds of £1.2m representing realised gain on cost of £0.4m. In addition, the Company sold its entire holding in Earnside Energy, generating proceeds of £0.9m and achieving a return, including interest, of 1.1 times cost. For more information please see the realisations table on page 10.

Interim management report continued

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 2019.



Comparatives for 31 December 2018 are in brackets
Source: Albion Capital Group LLP

Board composition

As mentioned in the year end Chairman's statement, the Board was pleased to announce the appointment of Fiona Wollocombe as a Director of the Company from 1 May 2019. The Board welcomes Fiona and looks forward to working closely with her over the coming years.

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.

Albion VCTs Top Up Offers

The Company is pleased to announce that its participation in the Albion VCTs Prospectus Top Up Offers 2018/19 was fully subscribed and closed early raising net proceeds of £7.8m. Further details can be found in note 7 on page 19. The proceeds of the Offer are being deployed into new investments as mentioned above and supporting further funding of existing portfolio companies to promote growth.

Share buy-backs

It remains the Board's policy to buy-back shares in the market, subject to the overall constraint that such

purchases are in the Company's interest. This includes the maintenance of sufficient cash resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention over time 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.

Risks and uncertainties

The outlook for the UK economy continues to be the key risk affecting the Company, and the withdrawal of the UK from the European Union may well have an impact on the Company and its investments, although it is difficult to quantify at this time. The Manager has performed an assessment of portfolio companies to assess exposure to Europe, and appropriate actions, where possible, have been implemented.

The Company's investment risk is mitigated through a variety of processes, including investing in a diversified portfolio in terms of sector and stage of maturity and by seeking investment opportunities where it is believed growth can be both resilient and sustainable.

Other risks and uncertainties remain unchanged as set out on pages 13 and 14 of the Annual Report and Financial Statements for the year ended 31 December 2018.

Outlook

Your Board remains conscious of the dangers, both regional and global, to the macroeconomic environment but is confident that our widely diversified portfolio continues to offer the opportunity of significant long term growth.

We believe that the success of the individual businesses in which our Company is invested will ultimately prove more significant than any short term economic disturbances.

Robin Field

Chairman
27 August 2019

Responsibility statement

The Directors, Robin Field, Thomas Chambers, Martin Fiennes and Fiona Wollocombe, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 June 2019 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

Robin Field
Chairman
27 August 2019

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 June 2019			Change in value for the period ⁽²⁾ £'000
		Cost ⁽¹⁾ £'000	Cumulative movement in value in value £'000	Value £'000	
Active Lives Care Limited	20.3	4,395	3,170	7,565	(65)
Proveca Limited	15.1	2,259	3,358	5,617	1,328
Ryefield Court Care Limited	18.7	3,070	2,358	5,428	9
Egress Software Technologies Limited	4.8	1,644	2,901	4,545	–
Chonais River Hydro Limited	6.5	2,428	930	3,358	(24)
Antenova Limited	28.7	1,733	1,230	2,963	231
Perpetuum Limited	13.1	2,636	(136)	2,500	(30)
The Street by Street Solar Programme Limited	10.0	1,040	792	1,832	30
Quantexa Limited	1.8	438	1,378	1,816	–
Regenerco Renewable Energy Limited	9.8	988	611	1,599	32
Alto Prodotto Wind Limited	11.1	934	623	1,557	(16)
Elateral Group Limited	47.9	5,113	(3,695)	1,418	(192)
G.Network Communications Limited	2.8	635	754	1,389	32
MyMeds&Me Limited	15.4	1,459	(77)	1,382	–
OmPrompt Holdings Limited	14.8	1,377	(45)	1,332	340
Bravo Inns II Limited	5.0	800	404	1,204	128
Academia Inc.	3.0	351	792	1,143	(25)
Dragon Hydro Limited	17.2	711	405	1,116	(32)
Shinfield Lodge Care Limited	2.9	535	512	1,047	34
Sandcroft Avenue Limited	5.3	954	(50)	904	(88)
Symetrica Limited	3.7	535	348	883	(127)
Gharagain River Hyrdo Limited	5.0	620	177	797	(7)
Sift Limited	42.1	2,306	(1,565)	741	38
AVESI Limited	14.8	484	214	698	(11)
Black Swan Data Limited	1.4	671	–	671	–
Beddlestead Limited	5.1	606	(2)	604	(1)
The Ewell (Harley Street) Limited	4.7	583	–	583	–
Secured By Design Limited	1.7	260	294	554	133
MPP Global Solutions Limited	1.9	550	–	550	–
Avora Limited	3.2	510	–	510	–
Anthropics Technology Limited	13.8	19	482	501	(969)
Mirada Medical Limited	1.8	390	90	480	(11)
Convertr Media Limited	3.1	471	8	479	(179)
Greenenerco Limited	8.6	274	194	468	9
Locum's Nest Limited	4.3	375	23	398	–
Koru Kids Limited	1.7	204	192	396	192
Oviva AG	2.1	367	11	378	8
Phrasee Limited	1.8	374	–	374	–
Zift Channel Solutions Inc.	0.6	321	45	366	3
Panaseer Limited	1.5	253	98	351	–
Cisiv Limited	3.1	278	(11)	267	–
Limitless Technology Limited	1.7	260	–	260	–
Abcodia Limited	4.3	735	(475)	260	–

Portfolio of investments continued

Fixed asset investments	% voting rights	As at 30 June 2019			Change in value for the period ⁽²⁾ £'000
		Cost ⁽¹⁾ £'000	Cumulative movement in value in value £'000	Value £'000	
Celoxica Holdings plc	4.4	513	(255)	258	–
Arecor Limited	1.2	220	–	220	–
The Wentworth Wooden Jigsaw Company Limited	5.4	–	211	211	39
Clear Review Limited	1.6	203	–	203	–
Forward Clinical Limited	1.5	160	–	160	–
Erin Solar Limited	5.7	160	(7)	153	–
InCrowd Sports Limited	1.5	126	12	138	–
uMotif Limited	1.0	160	(48)	112	(48)
Innovation Broking Group Limited	4.5	45	53	98	20
Imandra Inc.	1.0	91	–	91	–
Aridhia Informatics Limited	2.1	409	(322)	87	(78)
Healios Limited	0.8	80	–	80	–
Harvest AD Limited ⁽ⁱ⁾	–	70	5	75	(2)
ePatient Network Limited (T/A Raremark)	1.2	115	(42)	73	(42)
Xention Limited	10.6	38	(28)	10	–
Other holdings (6 companies)		27	(21)	6	–
Total fixed asset investments		47,363	15,896	63,259	659

- (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 2019 to the closing balance as at 30 June 2019 after adjustments for additions and disposals.
- (i) Early stage investment of convertible loan stock.

Portfolio of investments continued

Realisations in the period to 30 June 2019	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Realised gain on cost £'000	Gain/(loss) on opening or acquired value £'000
<u>Disposals:</u>					
ErgoMed PLC	841	925	1,210	369	285
Earnside Energy Limited	835	934	901	66	(33)
<u>Loan stock repayments, restructurings and other:</u>					
Mirada Medical Limited	208	264	281	73	17
Anthropics Technology Limited	–	207	207	207	–
Alto Prodotto Wind Limited	18	27	27	9	–
Greenenerco Limited	6	9	9	3	–
Escrow adjustments	–	–	153	153	153
Total	1,908	2,366	2,788	880	422

Total change in value of investments for the period	659
Movement in loan stock accrued interest	157
Unrealised gains on fixed asset investments sub-total	816
Realised gains in current period	422
Unrealised losses on current asset investments	(373)
Total gains on investments as per Income statement	865

Condensed income statement

	Note	Unaudited six months ended 30 June 2019			Unaudited six months ended 30 June 2018			Audited year ended 31 December 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	–	865	865	–	5,778	5,778	–	7,644	7,644
Investment income	3	1,112	–	1,112	918	–	918	1,834	–	1,834
Investment management fee	4	(175)	(524)	(699)	(162)	(486)	(648)	(336)	(1,007)	(1,343)
Performance incentive fee	4	–	–	–	(142)	(426)	(568)	(159)	(478)	(637)
Other expenses		(163)	–	(163)	(159)	–	(159)	(308)	–	(308)
Profit on ordinary activities before tax		774	341	1,115	455	4,866	5,321	1,031	6,159	7,190
Tax on ordinary activities		–	–	–	–	–	–	–	–	–
Profit and total comprehensive income attributable to shareholders		774	341	1,115	455	4,866	5,321	1,031	6,159	7,190
Basic and diluted return per share (pence)*	6	0.24	0.11	0.35	0.15	1.62	1.77	0.34	2.04	2.38

* 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 June 2018 and the audited statutory accounts for the year ended 31 December 2018.

The total column of this Condensed income statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with The Association of Investment Companies' Statement of Recommended Practice.

Condensed balance sheet

	Note	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Fixed asset investments		63,259	57,778	61,639
Current assets				
Current asset investments		–	373	373
Trade and other receivables less than one year		887	713	731
Cash and cash equivalents		11,872	11,689	7,485
		12,759	12,775	8,589
Total assets		76,018	70,553	70,228
Payables: amounts falling due within one year				
Trade and other payables less than one year		(449)	(1,032)	(1,078)
Total assets less current liabilities		75,569	69,521	69,150
Equity attributable to equity holders				
Called up share capital	7	3,872	3,509	3,519
Share premium		35,595	27,693	27,896
Capital redemption reserve		11	11	11
Unrealised capital reserve		15,343	12,770	15,358
Realised capital reserve		8,995	9,934	8,639
Other distributable reserve		11,753	15,604	13,727
Total equity shareholders' funds		75,569	69,521	69,150
Basic and diluted net asset value per share (pence)*		22.53	22.74	22.78

* 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 June 2018 and the audited statutory accounts for the year ended 31 December 2018.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 27 August 2019 and were signed on its behalf by

Robin Field

Chairman

Company number: 03139019

Condensed statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
At 1 January 2019	3,519	27,896	11	15,358	8,639	13,727	69,150
Profit/(loss) and total comprehensive income for the period	-	-	-	443	(102)	774	1,115
Transfer of previously unrealised gains on disposal of investments	-	-	-	(458)	458	-	-
Purchase of own shares for treasury	-	-	-	-	-	(745)	(745)
Issue of equity	353	7,888	-	-	-	-	8,241
Cost of issue of equity	-	(189)	-	-	-	-	(189)
Dividends paid	-	-	-	-	-	(2,003)	(2,003)
At 30 June 2019	3,872	35,595	11	15,343	8,995	11,753	75,569
At 1 January 2018	3,321	23,841	11	12,118	5,720	17,481	62,492
Profit and total comprehensive income for the period	-	-	-	3,352	1,514	455	5,321
Transfer of previously unrealised gains on disposal of investments	-	-	-	(2,700)	2,700	-	-
Purchase of own shares for treasury	-	-	-	-	-	(495)	(495)
Issue of equity	188	3,952	-	-	-	-	4,140
Cost of issue of equity	-	(100)	-	-	-	-	(100)
Dividends paid	-	-	-	-	-	(1,837)	(1,837)
At 30 June 2018	3,509	27,693	11	12,770	9,934	15,604	69,521
At 1 January 2018	3,321	23,841	11	12,118	5,720	17,481	62,492
Profit and total comprehensive income for the period	-	-	-	6,102	57	1,031	7,190
Transfer of previously unrealised gains on disposal of investments	-	-	-	(2,862)	2,862	-	-
Purchase of own shares for treasury	-	-	-	-	-	(1,145)	(1,145)
Issue of equity	198	4,157	-	-	-	-	4,355
Cost of issue of equity	-	(102)	-	-	-	-	(102)
Dividends paid	-	-	-	-	-	(3,640)	(3,640)
At 31 December 2018	3,519	27,896	11	15,358	8,639	13,727	69,150

*The total distributable reserves are £20,748,000 (30 June 2018: £25,538,000; 31 December 2018: £22,366,000).

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 June 2018 and the audited statutory accounts for the year ended 31 December 2018.

Condensed statement of cash flows

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Cash flow from operating activities			
Investment income received	1,020	596	1,437
Deposit interest received	18	9	23
Dividend income received	228	32	185
Investment management fee paid	(694)	(609)	(1,292)
Performance incentive fee paid	(637)	–	–
Other cash payments	(154)	(173)	(311)
UK corporation tax paid	–	–	–
Net cash flow from operating activities	(219)	(145)	42
Cash flow from investing activities			
Purchase of fixed asset investments	(3,053)	(2,304)	(4,618)
Disposal of fixed asset investments	2,344	5,688	5,904
Net cash flow from investing activities	(709)	3,384	1,286
Cash flow from financing activities			
Issue of share capital	7,804	3,826	3,826
Cost of issue of equity	(2)	(2)	(4)
Purchase of own shares (including costs)	(745)	(448)	(1,146)
Equity dividends paid*	(1,742)	(1,626)	(3,219)
Net cash flow from financing activities	5,315	1,750	(543)
Increase in cash and cash equivalents	4,387	4,989	785
Cash and cash equivalents at start of period	7,485	6,700	6,700
Cash and cash equivalents at end of period	11,872	11,689	7,485
Cash and cash equivalents comprise:			
Cash at bank	11,872	11,689	7,485
Cash equivalents	–	–	–
Total cash and cash equivalents	11,872	11,689	7,485

* The equity dividend paid in the cash flow is different to the dividend disclosed in note 5 due to the non-cash effect of the Dividend Reinvestment Scheme.

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 June 2018 and the audited statutory accounts for the year ended 31 December 2018.

Notes to the condensed Financial Statements

1. Accounting policies

Basis of accounting

The condensed Financial Statements have been prepared in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 ("FRS 102"), Financial Reporting Standard 104 – Interim Financial Reporting ("FRS 104"), and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by The Association of Investment Companies ("AIC").

The 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 and further detail on the valuation techniques used are outlined below.

The Half-yearly Financial Report has not been audited, nor has it been reviewed by the auditor pursuant to the FRC's guidance on Review of interim financial information.

Company information can be found on page 2.

Fixed asset investments

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

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

Upon initial recognition (using trade date accounting) investments, 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 their 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:
 - o the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
 - o a significant adverse change either in the portfolio company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
 - o market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

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

Receivables and payables and cash are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than payables.

Current asset investments

Contractual future contingent receipts on the disposal of investments are designated at FVTPL and are subsequently measured at fair value.

Notes to the condensed Financial Statements continued

1. Accounting policies (continued)

Gains and losses on investments

Gains and losses arising from changes in the fair value of the investments are included in the Income statement for the period as a capital item and are allocated to the unrealised capital reserve.

Investment income

Equity income

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

Unquoted loan stock and other preferred income

Fixed returns on non-equity shares and debt securities are recognised when the Company's right to receive payment and expected settlement is established. Where interest is rolled up and/or payable at redemption then it is recognised as income unless there is reasonable doubt as to its receipt.

Bank interest income

Interest income is recognised on an accruals basis using the rate of interest agreed with the bank.

Investment management fee, performance incentive fee and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the other distributable reserve except the following which are charged through the realised capital reserve:

- 75% of management fees and performance incentive fees are allocated to the realised capital reserve. This is in line with the Board's expectation that over the long term 75% of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Taxation

Taxation is applied on a current basis in accordance with FRS 102. Current tax is tax payable (refundable) in respect of the taxable profit (tax loss) for the current period or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the financial reporting date. Taxation associated with capital expenses is applied in accordance with the SORP.

Deferred tax is provided in full on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the Financial Statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements. As a VCT the Company has an exemption from tax on capital gains. The Company intends to continue meeting the conditions required to

obtain approval as a VCT in the foreseeable future. The Company therefore, should have no material deferred tax timing differences arising in respect of the revaluation or disposal of investments and the Company has not provided for any deferred tax.

Reserves

Share premium

This reserve accounts for the difference between the price paid for shares and the nominal value of the 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;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders.

Other distributable reserve

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

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

Dividends

Dividends by the Company are accounted for in the period in which the dividend is paid or approved at the Annual General Meeting.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single operating segment of business, being investment in smaller companies principally based in the UK.

Notes to the condensed Financial Statements continued

2. Gains on investments

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Unrealised gains on fixed asset investments	816	2,979	5,729
Unrealised (losses)/gains on current asset investments	(373)	373	373
Realised gains on fixed asset investments	422	2,426	1,542
	865	5,778	7,644

3. Investment income

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Interest from loans to portfolio companies	863	743	1,625
Dividends	231	165	185
Bank deposit interest	18	10	24
	1,112	918	1,834

4. Investment management fee and performance incentive fee

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Investment management fee charged to revenue	175	162	336
Investment management fee charged to capital	524	486	1,007
Performance incentive fee charged to revenue	–	142	159
Performance incentive fee charged to capital	–	426	478
	699	1,216	1,980

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid is given in the Strategic report on pages 11 and 12 of the Annual Report and Financial Statements for the year ended 31 December 2018.

During the period, services with a value of £699,000 (30 June 2018: £648,000; 31 December 2018: £1,343,000) and £25,000 (30 June 2018: £25,000; 31 December 2018: £50,000) were purchased by the Company from Albion Capital Group LLP in respect of management and administration fees respectively. At the period end, the amount due to Albion Capital Group LLP in respect of these services disclosed as accruals was £366,000 (30 June 2018: £348,000; 31 December 2018: £360,000). For the period to 30 June 2019, no performance incentive fee has been accrued (30 June 2018: £568,000; 31 December 2018: £637,000).

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period, fees of £168,000 (30 June 2018: £145,000; 31 December 2018: £241,000) attributable to the investments of the Company were paid pursuant to these arrangements.

Albion Capital Group LLP, its partners and staff hold 1,011,225 Ordinary shares in the Company.

The Company entered into an offer agreement relating to the Offers with the Company's investment manager Albion Capital Group LLP ("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. The Offers closed on 5 April 2019.

Notes to the condensed Financial Statements continued

5. Dividends

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
First dividend of 0.6 pence per share paid on 30 April 2018	–	1,842	1,842
Second dividend of 0.6 pence per share paid on 31 October 2018	–	–	1,831
First dividend of 0.6 pence per share paid on 30 April 2019	2,010	–	–
Unclaimed dividends returned to the Company	(7)	(5)	(33)
	2,003	1,837	3,640

The Directors have declared a second dividend of 0.60 pence per share for the year ending 31 December 2019, which will be paid on 31 October 2019 to shareholders on the register on 4 October 2019.

6. Basic and diluted return per share

	Unaudited six months ended 30 June 2019		Unaudited six months ended 30 June 2018		Audited year ended 31 December 2018	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Profit attributable to shareholders (£'000)	774	341	455	4,866	1,031	6,159
Weighted average shares in issue (excluding treasury shares)	319,703,183		299,536,878		302,182,990	
Return attributable per equity share (pence)	0.24	0.11	0.15	1.62	0.34	2.04

The weighted average number of Ordinary shares is calculated excluding treasury shares of 51,789,000 (30 June 2018: 45,209,000; 31 December 2018: 48,273,000).

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

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Allotted, issued and fully paid:			
387,227,906 Ordinary shares of 1 penny each (30 June 2018: 350,885,505; 31 December 2018: 351,855,773)	3,872	3,509	3,519

Voting rights

335,438,906 Ordinary shares of 1 penny each (net of treasury shares) (30 June 2018: 305,676,505; 31 December 2018: 303,582,773).

The Company operates a share buy-back programme, as detailed in the Interim management report on page 5. During the period the Company purchased 3,516,000 Ordinary shares with a nominal value of £35,160 (30 June 2018: 2,438,000; 31 December 2018: 5,502,000) representing 0.9% of the issued called up share capital as at 30 June 2019, at a cost of £745,000 (30 June 2018: £495,000; 31 December 2018: £1,145,000), including stamp duty, to be held in treasury. The Company holds a total of 51,789,000 Ordinary shares in treasury, representing 13.4% of the issued Ordinary share capital as at 30 June 2019.

Notes to the condensed Financial Statements continued

7. Called up share capital (continued)

During the period from 1 January 2019 to 30 June 2019, the Company issued the following new Ordinary shares of 1 penny each under the terms of the Dividend Reinvestment Scheme Circular dated 19 April 2011:

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
30 April 2019	1,127,911	11	22.18	248	21.00

Under the terms of the Albion VCTs Prospectus Top Up Offers 2018/19, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 June 2019:

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)
1 April 2019	4,206,012	42	23.20	961	21.60
1 April 2019	943,355	9	23.30	216	21.60
1 April 2019	21,793,720	218	23.40	4,972	21.60
5 April 2019	5,377,583	54	23.40	1,227	21.00
12 April 2019	511,635	5	22.60	114	21.00
12 April 2019	124,228	1	22.70	28	21.00
12 April 2019	1,287,689	13	22.80	286	21.00
	<u>34,244,222</u>	<u>342</u>		<u>7,804</u>	

8. Commitments, contingencies and guarantees

As at 30 June 2019, the Company had no financial commitments (30 June 2018: £nil; 31 December 2018: £nil).

There were no contingent liabilities or guarantees given by the Company as at 30 June 2019 (30 June 2018: £nil; 31 December 2018: £nil).

9. Post balance sheet events

Since 30 June 2019, the Company has had the following post balance sheet events:

- Investment of £500,000 in Perpetuum Limited;
- Investment of £488,000 in a company that provides Anti Money Laundering services to digital asset institutions;
- Disposal of The Wentworth Wooden Jigsaw Company Limited for £211,000;
- Investment of £141,000 in Koru Kids Limited;
- Investment of £23,000 in The Ewell (Harley Street) Limited; and
- Investment of £11,000 in Convertr Media Limited.

10. Related party disclosures

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

Notes to the condensed Financial Statements continued

11. Going concern

The Board's assessment of liquidity risk remains unchanged and is detailed on page 60 of the Annual Report and Financial Statements for the year ended 31 December 2018.

The Company has adequate cash and liquid resources. 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 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.

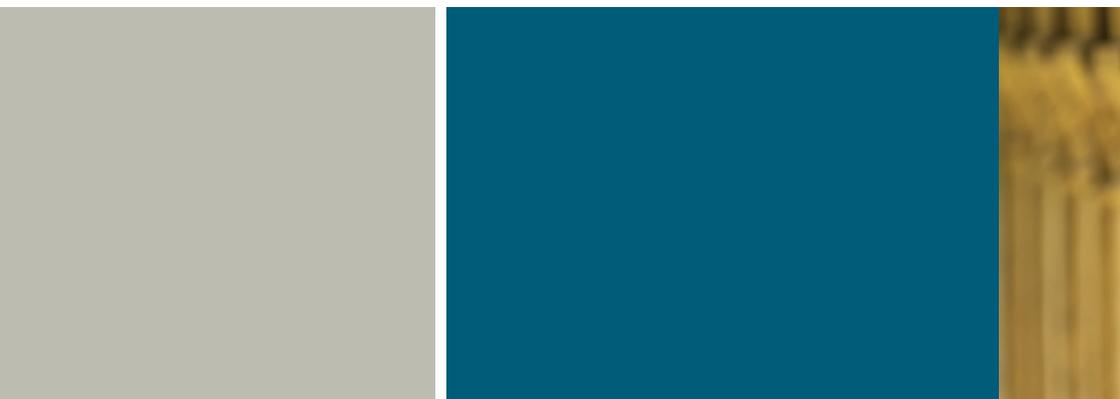
12. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 435 of the Companies Act 2006 for the periods ended 30 June 2019 and 30 June 2018, and is unaudited. The information for the year ended 31 December 2018 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 and is derived from the statutory accounts for that financial year, which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

13. Publication

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





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