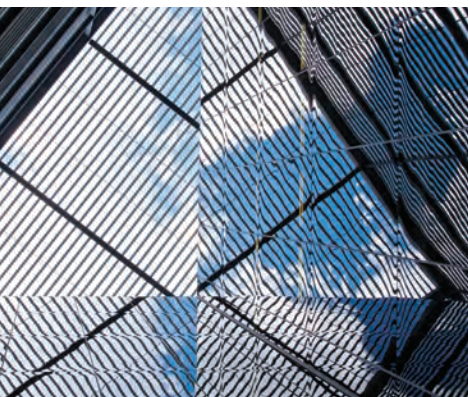


Albion Venture Capital Trust PLC



Half-yearly Financial Report
(unaudited) for the
six months to 30 September 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	03142609
Directors	Richard Glover, Chairman John Kerr ACMA Ann Berresford ACA Jeff Warren ACCA
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 Temple Avenue London, EC4Y 0HA
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
Depository	Ocorian (UK) Limited 11 Old Jewry London, EC2R 8DU

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 9.00 am – 5.30 pm;
Mon – Fri, calls are recorded)
Website: www.albion.capital

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

Investment policy

Albion Venture Capital Trust PLC (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 per cent. of the Company’s assets at cost, thus ensuring a spread of investment risk. The value of an individual investment may increase over time as a result of trading progress and it is possible that it may grow in value to a point where it represents a significantly higher proportion of total assets prior to a realisation opportunity being available.

Gearing

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

Background to the Company

The Company is a venture capital trust which raised a total of £39.7 million through an issue of Ordinary shares in the spring of 1996 and through an issue of C shares in the following year. The C shares merged with the Ordinary shares in 2001. The Company has raised a further £34.8 million under the Albion VCTs Top Up Offers since 2011.

On 25 September 2012, the Company acquired the assets and liabilities of Albion Prime VCT PLC (“Prime”) in exchange for new shares in the Company, resulting in a further £14.3 million of net assets.

Financial calendar

Record date for second dividend	3 January 2020
Payment date for second dividend	31 January 2020
Financial year end	31 March

Financial highlights

	Unaudited six months ended 30 September 2019 (pence per share)	Unaudited six months ended 30 September 2018 (pence per share)	Audited year ended 31 March 2019 (pence per share)
Opening net asset value	79.00	76.00	76.00
Revenue return	1.03	1.00	2.13
Capital return	0.52	3.50	5.73
Total return	1.55	4.50	7.86
Impact of fundraising/share buy-backs	(0.09)	0.10	0.14
Dividends paid	(2.50)	(2.50)	(5.00)
Net asset value	77.96	78.10	79.00

Total shareholder return to 30 September 2019	Ordinary shares (Pence per share)
Total dividends paid during the year ended :	
31 March 1997	2.00
31 March 1998	5.20
31 March 1999	11.05
31 March 2000	3.00
31 March 2001	8.55
31 March 2002	7.60
31 March 2003	7.70
31 March 2004	8.20
31 March 2005	9.75
31 March 2006	11.75
31 March 2007	10.00
31 March 2008	10.00
31 March 2009	10.00
31 March 2010	5.00
31 March 2011	5.00
31 March 2012	5.00
31 March 2013	5.00
31 March 2014	5.00
31 March 2015	5.00
31 March 2016	5.00
31 March 2017	5.00
31 March 2018	5.00
31 March 2019	5.00
Dividends paid in the six months to 30 September 2019	2.50
Total dividends paid to 30 September 2019	157.30
Net asset value as at 30 September 2019	77.96
Total shareholder return to 30 September 2019	235.26

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.

In addition to the dividends summarised above, the Directors have declared a second dividend for the year ending 31 March 2020 of 2.50 pence per share, to be paid on 31 January 2020 to shareholders on the register on 3 January 2020.

Notes

- Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.

Interim management report

Introduction

The results for Albion Venture Capital Trust PLC (the “Company”) for the six months to 30 September 2019 show a total return of 1.55 pence per share, which is a 2.0% return on opening net asset value per share.

Results and dividends

As at 30 September 2019, the net asset value of the Company was £74.0 million or 77.96 pence per share compared to £67.5 million or 79.00 pence per share at 31 March 2019.

A first dividend of 2.50 pence per share was paid on 31 July 2019. The Company will pay a second dividend of 2.50 pence per share on 31 January 2020 to shareholders on the register on 3 January 2020, making 5.00 pence per share in total for the full year, in line with the Company’s current annual dividend target.

Performance and portfolio update

The period has been a busy one with a number of new investments and disposals during and after the period end.

During the period, £2.1 million was invested in five new growth and technology companies and an additional £1.3 million invested after the period end. The new investments, all of which are likely to require further investment as the companies prove themselves and grow, are:

- Elliptic Enterprises, which provides Anti Money Laundering services to digital asset institutions;
- Clear Review, a provider of talent management software to mid market enterprises;
- Limitless Technology, a customer service platform powered by the crowd and machine learning technology;
- Imandra, a provider of automated software testing and an enhanced learning experience for artificial neural networks; and
- Symetrica, a designer and manufacturer of radiation detection equipment.

We had two significant exits in the period. The boutique Stanwell Hotel near Heathrow was sold generating proceeds of £3.4 million (a return of 0.6 times cost including interest received) and Earnside Energy, our anaerobic digestion plant in Scotland, for proceeds of £1.7 million (a return of 1.3 times cost including interest received). Further information on realisations can be found on page 10.

We are also pleased to report that following a reorganisation, our school Radnor House Twickenham, which is trading at mature levels, was sold shortly after the period end generating proceeds of £3.2 million. The Company first invested in Radnor House Twickenham in 2010 and achieved a return of 3.75 times cost (including interest received). The Company has an ongoing investment in Radnor House School (Holdings) Limited which owns Radnor House School Sevenoaks.

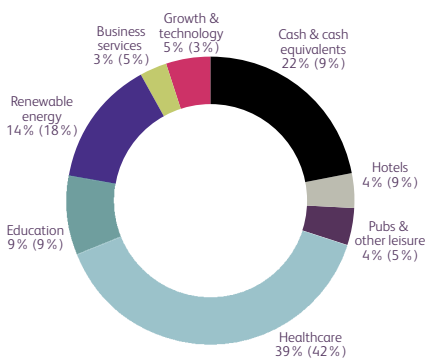
Our two investments in the pub sector, Bravo Inns and Bravo Inns II, were also sold after the period end generating combined proceeds of £2.3 million. Over the life of our investment, including interest received, we generated a combined return on cost of 1.7 times.

The Company’s unrealised and realised gains amounted to £0.9 million for the six months to 30 September 2019. The key movements in the period include: a £285,000 uplift in Radnor House due to an increase in the student roll at Sevenoaks; an uplift of £182,000 on G. Network Communications after an external investment at an increased valuation; and an uplift of £137,000 in Bravo Inns II after a third party valuation undertaken prior to its sale.

Interim management report continued

Split of portfolio by valuation as at 30 September 2019

Set out below is the sector split of the investment portfolio as at 30 September 2019. After the sales of The Stanwell Hotel and Earnside Energy, the hotel and renewable energy sectors have reduced by 5% and 4% respectively. Healthcare continues to be our largest sector and accounted for 39% of the Company's net assets. Growth and technology continues to gradually increase after the five new investments detailed above and now accounts for 5% of the portfolio as at 30 September 2019.



Comparatives for 31 March 2019 are shown in brackets
Source: Albion Capital Group LLP

New management performance incentive

Following the Annual General Meeting on 21 August 2019, a General Meeting was held in which an ordinary resolution was proposed to approve the changes to the Company's Management Agreement, including a new performance incentive and a reduction in total expenses cap. Details of the proposed changes were set out in a circular sent to shareholders dated 1 July 2019.

The Board notes that the resolution was passed with 70.44% of the votes cast in favour of the resolution. However, as more than 20% of shareholders voted against the resolution, in accordance with the UK Corporate Governance Code, the Board is currently undergoing a consultation process with the majority shareholdings that voted against the resolution to understand more fully the reasons for this opposition.

An update on this consultation process will be made within six months of the Meeting in accordance with the UK Corporate Governance Code.

There is no performance incentive fee accrued as at 30 September 2019.

Risks and uncertainties

Other than investment performance, the key risks facing the Company continue to be from the broader economy, including changes to VCT rules. The upcoming General Election, the outlook for the UK and global economies, and the implications of the withdrawal of the UK from the European Union are considered the biggest risks for the Company. An assessment has been done at a portfolio company level to assess exposure to Europe, and appropriate actions, where possible, have been implemented. The Manager continues to believe that there is merit in focusing efforts to allocate resources to those sectors and opportunities where growth can be both resilient and sustainable in order to mitigate these risks.

Other risks and uncertainties remain unchanged and are as detailed on pages 14 to 16 of the Annual Report and Financial Statements for the year ended 31 March 2019.

Interim management report continued

Share buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in existing and new portfolio companies and for the continued payment of dividends to shareholders. Thereafter, it remains the Board's policy to buy back shares in the market, subject to the overall criterion that such purchases are in the Company's interest. The total value bought in for the period to 30 September 2019 was £740,000. In general, the Board targets such buy-backs to be in the region of a 5 per cent. discount to the most recently announced net asset value, so far as market conditions and liquidity permit.

Albion VCTs Prospectus Top Up Offers

The Company was pleased to announce on 5 March 2019 that it had reached its £8 million limit under the Albion VCTs Prospectus Top Up Offers 2018/19 which was fully subscribed and closed. Details of shares issued under the Offer can be found in note 8.

The proceeds of the Offer are being deployed into new investments as mentioned above and supporting further funding of existing portfolio companies to support growth.

The Company announced on 22 October 2019 that it has launched a Prospectus Top Up Offer to raise up to £6 million before issue costs, with a further over-allotment facility of £2 million, of new Ordinary shares for subscription in the 2019/20 and 2020/21 tax years. Full details of the offer are contained in a Prospectus that was published on the same date on the Manager's website at www.albion.capital/investor-centre/current-offers.

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.

Fraud warning

We note over recent months an increase in the number of shareholders being contacted in connection with increasingly sophisticated but fraudulent financial scams. This is often by a phone call or an email which normally originates from outside of the UK, often claiming or appearing to come from a corporate finance firm and typically offering to buy your VCT shares at an inflated price. If you are contacted, we recommend that you do not respond with any personal information and say you are not interested.

The Manager maintains a page on their website in relation to fraud advice at www.albion.capital/investor-centre/fraud-advice.

If you are in any doubt, we recommend that you seek financial advice before taking any action. You can also call Shareholder relations on 020 7601 1850, or email info@albion.capital, if you wish to check whether any claims made are genuine.

Outlook and prospects

Whilst the asset based element of the portfolio continues to generate reliable income returns to the Company, many of these businesses are at, or nearing, maturity. The Board sees the growth and technology businesses to be the area where we have the opportunity to generate shareholder value over time, and are encouraged by the investments that have been made into that sector during the period.

Richard Glover

Chairman

4 December 2019

Responsibility statement

The Directors Richard Glover, John Kerr, Ann Berresford and Jeff Warren are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 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", 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
4 December 2019

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 September 2019			Change in value for the period** £'000
		Cost* £'000	Cumulative movement in value £'000	Value £'000	
Shinfield Lodge Care Limited	35.3	6,425	6,383	12,808	120
Active Lives Care Limited	22.2	4,810	3,506	8,316	(13)
Ryefield Court Care Limited	23.6	3,880	3,011	6,891	36
Radnor House School (Holdings) Limited	7.1	2,281	3,326	5,607	285
Chonais River Hydro Limited	9.2	3,074	1,291	4,365	(25)
Kew Green VCT (Stansted) Limited	45.2	1,234	1,496	2,730	62
Gharagain River Hydro Limited	11.5	1,363	418	1,781	1
Bravo Inns II Limited	6.4	1,085	496	1,581	137
Elliptic Enterprises Limited	1.6	1,244	–	1,244	–
G. Network Communications Limited	2.3	228	1,008	1,236	182
The Street by Street Solar Programme Limited	6.5	675	553	1,228	45
Beddlestead Limited	9.1	1,142	4	1,146	2
MHS1 Limited	14.8	1,026	(4)	1,022	(1)
Alto Prodotto Wind Limited	7.4	609	410	1,019	(28)
The Ewewell (Harley Street) Limited	6.0	780	–	780	–
Regenerco Renewable Energy Limited	4.5	451	302	753	15
Avora Limited	4.2	750	–	750	–
Bravo Inns Limited	7.6	751	(78)	673	61
Erin Solar Limited	18.6	520	(20)	500	–
Dragon Hydro Limited	7.3	289	171	460	(2)
Clear Review Limited	3.0	384	–	384	–
AVESI Limited	7.4	242	116	358	5
Harvest AD Limited	–	307	21	328	–
Limitless Technology Limited	2.1	320	–	320	–
Phrasee Limited	1.5	310	–	310	–
Greenenerco Limited	3.9	121	83	204	(1)
Premier Leisure (Suffolk) Limited	9.9	175	20	195	–
Arecor Limited	1.0	180	–	180	–
Imandra Inc.	1.3	121	–	121	–
ePatient Network Limited (T/A Raremark)	1.2	110	–	110	–
uMotif Limited	0.7	120	(36)	84	(36)
Symetrica Limited	0.3	71	–	71	–
Forward Clinical Limited	1.2	130	(65)	65	(65)
Headios Limited	0.6	65	–	65	–
Total fixed asset investments		35,273	22,412	57,685	780

* 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 2019	Cost* £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised (loss)/gain £'000	(Loss) /gain on opening value £'000
Disposals:					
The Stanwell Hotel Limited	5,069	3,282	3,366	(1,703)	84
Earnside Energy Limited	1,531	1,813	1,692	161	(121)
G&K Smart Developments VCT Limited	276	275	243	(33)	(32)
Loan stock repayments and other:					
TWCL Limited	801	833	842	41	9
G. Network Communications Limited	482	482	482	–	–
Alto Prodotto Wind Limited	18	23	23	5	–
Dragon Hydro Limited	11	11	11	–	–
Greenenerco Limited	3	4	4	1	–
Escrow adjustments** and other	–	–	21	21	21
Total	8,191	6,723	6,684	(1,507)	(39)

* 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.

** Fair value movements on deferred consideration from previously disposed investments.

Total change in value of investments for the period	780
Movement in loan stock accrued interest	166
Unrealised gains sub-total	946
Realised loss in current period	(39)
Total gains on investments as per Income statement	907

Condensed income statement

	Note	Unaudited six months ended 30 September 2019			Unaudited six months ended 30 September 2018			Audited year ended 31 March 2019		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	907	907	–	3,405	3,405	–	5,707	5,707
Investment income	4	1,563	–	1,563	1,420	–	1,420	2,842	–	2,842
Investment management fees	5	(168)	(504)	(672)	(158)	(474)	(632)	(318)	(954)	(1,272)
Other expenses		(194)	–	(194)	(184)	–	(184)	(357)	–	(357)
Return on ordinary activities before tax		1,201	403	1,604	1,078	2,931	4,009	2,167	4,753	6,920
Tax (charge)/credit on ordinary activities		(222)	96	(126)	(200)	90	(110)	(330)	181	(149)
Return and total comprehensive income attributable to shareholders		979	499	1,478	878	3,021	3,899	1,837	4,934	6,771
Basic and diluted return per share (pence)*	7	1.03	0.52	1.55	1.00	3.50	4.50	2.13	5.73	7.86

* adjusted for treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2018 and the audited statutory accounts for the year ended 31 March 2019.

The accompanying notes on pages 15 to 20 form an integral part of this Half-yearly Financial Report.

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 2019 £'000	Unaudited 30 September 2018 £'000	Audited 31 March 2019 £'000
Fixed asset investments	57,685	59,138	61,459
Current assets			
Trade and other receivables less than one year	1,375	26	514
Cash and cash equivalents	15,792	8,663	6,205
	17,167	8,689	6,719
Total assets	74,852	67,827	68,178
Payables: amounts falling due within one year			
Trade and other payables less than one year	(812)	(669)	(631)
Total assets less current liabilities	74,040	67,158	67,547
Equity attributable to equityholders			
Called up share capital 8	1,075	966	970
Share premium	34,062	25,761	26,042
Capital redemption reserve	7	7	7
Unrealised capital reserve	21,741	17,190	19,327
Realised capital reserve	4,236	6,375	6,151
Other distributable reserve	12,919	16,859	15,050
Total equity shareholders' funds	74,040	67,158	67,547
Basic and diluted net asset value per share (pence)*	77.96	78.10	79.00

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2018 and the audited statutory accounts for the year ended 31 March 2019.

The accompanying notes on pages 15 to 20 form an integral part of this Half-yearly Financial Report.

These Financial Statements were approved by the Board of Directors and authorised for issue on 4 December 2019, 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 2019	970	26,042	7	19,327	6,151	15,050	67,547
Return/(loss) and total comprehensive income for the period	-	-	-	946	(447)	979	1,478
Transfer of previously unrealised losses on realisations of investments	-	-	-	1,468	(1,468)	-	-
Purchase of treasury shares	-	-	-	-	-	(740)	(740)
Issue of equity	105	8,210	-	-	-	-	8,315
Cost of issue of equity	-	(190)	-	-	-	-	(190)
Net dividends paid (note 6)	-	-	-	-	-	(2,370)	(2,370)
At 30 September 2019	1,075	34,062	7	21,741	4,236	12,919	74,040
At 1 April 2018	962	25,475	7	13,789	6,755	18,791	65,779
Return/(loss) and total comprehensive income for the period	-	-	-	3,405	(384)	878	3,899
Transfer of previously unrealised gains on realisations of investments	-	-	-	(4)	4	-	-
Purchase of treasury shares	-	-	-	-	-	(650)	(650)
Issue of equity	4	287	-	-	-	-	291
Cost of issue of equity	-	(1)	-	-	-	-	(1)
Net dividends paid	-	-	-	-	-	(2,160)	(2,160)
At 30 September 2018	966	25,761	7	17,190	6,375	16,859	67,158
At 1 April 2018	962	25,475	7	13,789	6,755	18,791	65,779
Return/(loss) and total comprehensive income for the year	-	-	-	5,782	(848)	1,837	6,771
Transfer of previously unrealised gains on realisations of investments	-	-	-	(244)	244	-	-
Purchase of treasury shares	-	-	-	-	-	(1,300)	(1,300)
Issue of equity	8	570	-	-	-	-	578
Cost of issue of equity	-	(3)	-	-	-	-	(3)
Net dividends paid	-	-	-	-	-	(4,278)	(4,278)
At 31 March 2019	970	26,042	7	19,327	6,151	15,050	67,547

* These reserves amount to £17,155,000 (30 September 2018: £23,234,000; 31 March 2019: £21,201,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 September 2019 £'000	Unaudited six months ended 30 September 2018 £'000	Audited year ended 31 March 2019 £'000
Cash flow from operating activities			
Loan stock income received	1,654	1,284	2,868
Deposit interest received	40	12	30
Dividend income received	31	25	56
Investment management fees paid	(642)	(625)	(1,263)
Other cash payments	(211)	(209)	(350)
UK Corporation tax refund/(paid)	–	77	(68)
Net cash flow from operating activities	872	564	1,273
Cash flow from investing activities			
Purchase of fixed asset investments	(2,873)	(879)	(2,292)
Disposal of fixed asset investments	6,526	4,696	5,449
Net cash flow from investing activities	3,653	3,817	3,157
Cash flow from financing activities			
Issue of share capital	7,823	–	–
Cost of issue of equity	(15)	(1)	(3)
Dividends paid*	(2,043)	(1,829)	(3,683)
Purchase of own shares (including costs)	(703)	(650)	(1,301)
Net cash flow from financing activities	5,062	(2,480)	(4,987)
Increase/(decrease) in cash and cash equivalents	9,587	1,901	(557)
Cash and cash equivalents at start of period	6,205	6,762	6,762
Cash and cash equivalents at end of period	15,792	8,663	6,205
Cash and cash equivalents comprise			
Cash at bank	15,792	8,663	6,205
Cash equivalents	–	–	–
Total cash and cash equivalents	15,792	8,663	6,205

* The equity dividend paid in the cash flow is different to the dividend 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 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 in note 2 below.

This 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.

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 per cent. of the equity as part of an investment portfolio are not accounted for using the equity method. In these circumstances the investment is measured at FVTPL.

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

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

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;
- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the IPEV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, 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 and payables and cash are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than payables.

Notes to the condensed Financial Statements continued

2. 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 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 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 accrual 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 per cent. 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 per cent. of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Taxation

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

Deferred tax is provided in full on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses

in tax assessments in periods different from those in which they are recognised in the financial statements. As a VCT the Company has an exemption from tax on capital gains. The Company intends to continue meeting the conditions required to obtain approval as a VCT in the foreseeable future. The Company therefore should have no material deferred tax timing differences arising in respect of the revaluation or disposal of investments and the Company has not provided for any deferred tax.

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

3. Gains on investments

	Unaudited six months ended 30 September 2019 £'000	Unaudited six months ended 30 September 2018 £'000	Audited year ended 31 March 2019 £'000
Unrealised gains on fixed asset investments	946	3,405	5,782
Realised losses on fixed asset investments	(39)	–	(75)
	907	3,405	5,707

4. Investment income

	Unaudited six months ended 30 September 2019 £'000	Unaudited six months ended 30 September 2018 £'000	Audited year ended 31 March 2019 £'000
Loan stock interest and other fixed returns	1,492	1,382	2,755
Dividend income	31	25	56
Bank deposit interest	40	13	31
	1,563	1,420	2,842

5. Investment management fees

	Unaudited six months ended 30 September 2019 £'000	Unaudited six months ended 30 September 2018 £'000	Audited year ended 31 March 2019 £'000
Investment management fee charged to revenue	168	158	318
Investment management fee charged to capital	504	474	954
	672	632	1,272

Further details of the Management agreement under which the investment management fee is paid is given in the Strategic report on pages 12 and 13 of the Annual Report and Financial Statements for the year ended 31 March 2019.

During the period, services of a total value of £672,000 in management fees and £27,000 in administration fees (30 September 2018: £632,000 in management fees and £26,000 in administration fees; 31 March 2019: £1,272,000 in management fees and £52,000 in administration fees), were purchased by the Company from Albion Capital Group LLP. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services disclosed within payables was £365,000 (30 September 2018: £332,000; 31 March 2019: £334,000).

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 2019, fees of £157,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2018: £55,000; 31 March 2019: £137,000).

Albion Capital Group LLP, its partners and staff hold a total of 505,033 shares in the Company as at 30 September 2019.

The Company entered into an offer agreement relating to the Offers with the Company's investment manager Albion Capital Group LLP, pursuant to which Albion Capital receives a fee of 2.5 per cent. of the gross proceeds of the Offers and out of which Albion Capital will pay the costs of the Offers, as detailed in the Prospectus.

Notes to the condensed Financial Statements continued

6. Dividends

	Unaudited six months ended 30 September 2019 £'000	Unaudited six months ended 30 September 2018 £'000	Audited year ended 31 March 2019 £'000
Dividend of 2.50p per share paid on 31 July 2018	–	2,160	2,160
Dividend of 2.50p per share paid on 31 January 2019	–	–	2,140
Dividend of 2.50p per share paid on 31 July 2019	2,382	–	–
Unclaimed dividends	(12)	–	(22)
	2,370	2,160	4,278

The Directors have declared a second dividend for the year ending 31 March 2020 of 2.50 pence per share (total approximately £2,374,000), payable on 31 January 2020 to shareholders on the register on 3 January 2020.

7. Basic and diluted return per share

	Unaudited six months ended 30 September 2019		Unaudited six months ended 30 September 2018		Audited year ended 31 March 2019	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return attributable to equity shares (£'000)	979	499	878	3,021	1,837	4,934
Weighted average shares in issue (adjusted for treasury shares)	95,382,186		86,336,339		86,066,296	
Return attributable per equity share (pence)	1.03	0.52	1.00	3.50	2.13	5.73

The weighted average number of shares is calculated after adjusting for treasury shares of 12,525,188 (30 September 2018: 10,630,188; 31 March 2019: 11,517,188).

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 2019	Unaudited 30 September 2018	Audited 31 March 2019
Number of shares	107,499,248	96,639,535	97,018,262
Nominal value of allotted shares (£'000)	1,075	966	970
Voting rights (number of shares net of treasury shares)	94,974,060	86,009,347	85,501,074

During the period to 30 September 2019 the Company purchased 1,008,000 Ordinary shares (nominal value of £10,080) to be held in treasury (30 September 2018: 900,000; 31 March 2019: 1,787,000) at a cost of £740,000 (30 September 2018: £650,000; 31 March 2019: £1,300,000) representing 0.9 per cent. of the shares in issue as at 30 September 2019.

The total number of Ordinary shares held in treasury as at 30 September 2019 was 12,525,188 (30 September 2018: 10,630,188; 31 March 2019: 11,517,188) representing 11.7 per cent. of the share capital as at 30 September 2019.

Notes to the condensed Financial Statements continued

8. Called up share capital (continued)

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)
31 July 2019	414,275	4	76.50	302	72.75

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 September 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	2,517,008	25	78.90	1,956	73.00
1 April 2019	554,593	5	79.30	431	73.00
1 April 2019	6,375,602	64	79.70	4,955	73.00
12 April 2019	290,390	3	78.90	226	73.75
12 April 2019	40,353	–	79.30	31	73.75
12 April 2019	288,765	3	79.70	224	73.75
	10,066,711	101		7,823	

9. Commitments and contingencies

As at 30 September 2019, the Company had no financial commitments (30 September 2018: £36,000; 31 March 2019: £nil).

There are no contingencies or guarantees of the Company as at 30 September 2019 (30 September 2018 and 31 March 2019: £nil).

10. Post balance sheet events

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

- Following a reorganisation of Radnor House School (Holdings) Limited, Radnor House Twickenham was sold generating proceeds of £3.2 million;
- Sale of Bravo Inns Limited and Bravo Inns II Limited generating combined proceeds of £2.3 million;
- Investment of £1,144,000 in Cantab Research Limited (T/A Speechmatics);
- Investment of £110,000 in Healos Limited; and
- Investment of £60,000 in uMotif Limited.

The Company announced on 22 October 2019 that it has launched a Prospectus Top Up Offer to raise up to £6 million before issue costs, with a further over-allotment facility of £2 million, of new Ordinary shares for subscription in the 2019/20 and 2020/21 tax years. Full details of the offer are contained in a Prospectus that was published on the same date on the Manager's website at www.albion.capital/investor-centre/current-offers.

Notes to the condensed Financial Statements continued

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's assessment of liquidity risk remains unchanged since the last Annual Report and Financial Statements for the year ended 31 March 2019, and is detailed on page 62 of those accounts.

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.

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 2019 and 30 September 2018, and is unaudited. The information for the year ended 31 March 2019 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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