

Half-yearly Financial
Report (unaudited) for
the six months to
30 September 2017



Albion Enterprise VCT PLC

ALBIONCAPITAL

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

Company information

Company number	05990732
Directors	M G Packe, Chairman Lady Balfour of Burleigh Lord St John of Bletso P H Reeve
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Capital Group LLP 1 King's Arms Yard London, EC2R 7AF
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 1st Floor 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP

Albion Enterprise VCT 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 5860 (UK National Rate call, lines are open 8:30am – 5:30pm; Mon – Fri; calls may be recorded)
Website: 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.

Financial adviser information 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 may be recorded)
Email: info@albion.capital
Website: www.albion.capital

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

Investment objective

The investment objective of Albion Enterprise VCT PLC (“the Company”) is to provide investors with a regular and predictable source of income, combined with the prospect of longer term capital growth.

The Company’s investment portfolio is structured to provide a balance between income and capital growth for the longer term. Stock specific risk will be reduced by the Company’s policy of holding a diversified portfolio of Qualifying Investments.

Under its Articles of Association, the Company’s maximum exposure in relation to gearing is restricted to 10 per cent. of its adjusted share capital and reserves.

The Company can, prior to investing in VCT qualifying assets, invest in cash deposits, in floating rate notes or similar instruments with banks or other financial institutions with credit ratings, assigned by international credit agencies, of A or better (on acquisition) or up to 10 per cent. of its assets, at the time of investment, in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so).

Financial calendar

Record date for second dividend	9 February 2018
Payment date for second dividend	28 February 2018
Financial year end	31 March

Financial highlights

	Unaudited six months ended 30 September 2017 (pence per share)	Unaudited six months ended 30 September 2016 (pence per share)	Audited year ended 31 March 2017 (pence per share)
Dividends paid	2.50	2.50	5.00
Revenue return	–	0.53	0.64
Capital return	2.34	2.90	10.23
Net asset value	101.62	97.39	101.79

(pence per share)

Total shareholder return to 30 September 2017:

Dividends paid during the year ended:

31 March 2008	0.70
31 March 2009	1.65
31 March 2010	2.00
31 March 2011	3.00
31 March 2012	3.00
31 March 2013	3.50
31 March 2014	5.00
31 March 2015	5.00
31 March 2016	5.00
31 March 2017	5.00

Dividends paid in the six months to 30 September 2017	<u>2.50</u>
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Total dividends paid to 30 September 2017	<u>36.35</u>
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Net asset value as at 30 September 2017	<u>101.62</u>
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Total shareholder return to 30 September 2017	<u>137.97</u>
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In addition to the dividends summarised above, the Directors have declared a second dividend of 2.50 pence per share, payable on 28 February 2018 to shareholders on the register on 9 February 2018.

Notes

- *The dividend of 0.70 pence per share paid during the period ended 31 March 2008 and first dividend of 0.40 pence per share paid during the year ended 31 March 2009 were paid to shareholders who subscribed in the 2006/2007 offer only.*
- *Dividends paid by the Company are normally free of income tax for individuals aged 18 or over. Investors should not disclose any income they receive from a VCT on their tax return unless they have acquired more than £200,000 of VCT shares in a tax year.*
- *The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be accessed via a link on the Company's webpage at www.albion.capital/funds/AAEV under 'Trust Information'.*
- *Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value as tax reliefs are only obtainable on new subscription.*

Interim management report

Introduction

I am pleased to report a total return of 2.3 pence per share for the six months to 30 September 2017 (30 September 2016: 3.4 pence per share). These results demonstrate continued positive developments within our investment portfolio.

Investment performance and progress

During the period, some £4.0 million was invested in existing and new companies, including £950,000 in MPP Global Solutions, which provides a digital subscription management platform, £545,000 in G.Network Communications, which is rolling out a fibre optic network in central London, and £100,000 in Locum's Nest, which provides a technology solution for the management of locum doctors for the NHS. In addition, £1.2 million was invested in Egress Software Technologies, to fund further growth, while £482,000 was invested in Oviva to fund its expansion, particularly in the UK.

During the period our holding in Hilson Moran was sold, realising proceeds of £1.47 million and resulting in a three times return on the total investment.

Particularly good progress in the year was achieved by Grapeshot, which has now moved sharply into profit and which is currently growing in excess of 150% per annum. In addition, the annual professional valuation of Radnor House School (Holdings) increased, as pupil numbers at our Radnor House Sevenoaks School continue to grow.

Aridhia Informatics' valuation was reduced, following slower than anticipated growth. The write-down of Egress Software Technologies valuation was technical in nature, reflecting a slightly lower valuation than anticipated on our recent investment; the company continues to show strong growth.

Results and dividends

On 30 September 2017, the net asset value was £52.5 million or 101.62 pence per share compared to £52.5 million or 101.79 pence per share on 31 March 2017. The total return before taxation was £1.2 million compared to £1.6 million for the six months to 30 September 2016. In line with the annual dividend target of 5 pence per share, the Directors declare a second dividend for the year of 2.50 pence per share payable on 28 February 2018 to shareholders on the register on 9 February 2018.

Patient Capital Review

The Patient Capital Review has been completed and the 2017 Autumn Budget has now been delivered. Whilst being strongly supportive of VCTs, the Budget has introduced a number of measures designed to re-direct investment towards higher growth innovative businesses. Whilst not fundamentally changing the way that we invest, your Board and the Manager are currently reviewing the implications of these measures, and will reflect on whether your Company's stated investment policy needs to be amended at next year's Annual General Meeting.

Interim management report (continued)

Risks & uncertainties

The outlook for the UK and global economies continues to be the key risk affecting the Company, despite continued growth in the UK. Investment risk is mitigated in a number of ways, including our policy that the portfolio should be balanced across sectors and stages of investment.

Other principal risks and uncertainties remain unchanged and are as detailed on pages 12 and 13 in the Strategic report of the Annual Report and Financial Statements for the year ended 31 March 2017.

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, including the maintenance of sufficient resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value so far as market conditions and liquidity permit.

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 related party transactions or balances that require disclosure.

Albion VCTs Prospectus Top Up Offers 2017/18

Your Board, in conjunction with the boards of other VCTs managed by Albion Capital Group LLP, launched a prospectus top up offer of new Ordinary shares on 6 September 2017 with an aim to raise circa £6 million out of a target of £32 million in aggregate that the Albion VCTs are seeking to raise. The proceeds will be used to provide further resources at a time when a number of attractive investment opportunities are being seen. Details of the first allotment on 17 November 2017 of £3.67 million are shown in note 10.

Outlook

We see the portfolio as being well balanced across a variety of growth sectors and with a number of businesses having the capability of significant further increase in value.

Maxwell Packe

Chairman
4 December 2017

Responsibility statement

The Directors, Maxwell Packe, Lady Balfour of Burleigh, Lord St John of Bletso and Patrick Reeve, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 2017 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.

By order of the Board

Maxwell Packe

Chairman

4 December 2017

Portfolio of investments

The following is a summary of investments as at 30 September 2017:

Portfolio company	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Radnor House School (Holdings) Limited	9.8	3,128	3,467	6,595	668
Egress Software Technologies Limited	10.9	2,052	2,588	4,640	(481)
Grapeshot Limited	5.1	1,026	2,130	3,156	990
Bravo Inns II Limited	13.1	2,150	372	2,522	90
Mirada Medical Limited	15.1	1,055	1,253	2,308	(9)
Proveca Limited	9.6	905	1,018	1,923	24
Regenerco Renewable Energy Limited	12.5	1,261	611	1,872	111
Earnside Energy Limited	8.7	1,394	273	1,667	(27)
Alto Prodotto Wind Limited	11.1	987	544	1,531	5
The Street by Street Solar Programme Limited	8.6	891	560	1,451	68
Greenenerco Limited	28.6	942	482	1,424	12
Process Systems Enterprise Limited	4.1	406	954	1,360	9
DySIS Medical Limited	10.0	2,509	(1,350)	1,159	(11)
Zift Channel Solutions Inc.	2.5	1,053	14	1,067	14
MPP Global Solutions Limited	3.2	950	–	950	–
Oviva AG	3.7	642	160	802	161
memsstar Limited	8.8	373	326	699	264
Convertr Media Limited	6.3	700	(46)	654	(46)
MyMeds&Me Limited	3.4	418	219	637	13
Aridhia Informatics Limited	6.6	1,090	(536)	554	(394)
G.Network Communications Limited	9.1	545	–	545	–
Black Swan Data Limited	1.6	538	–	538	–
OmPrompt Holdings Limited	7.4	682	(151)	531	(1)
Bravo Inns Limited	8.4	755	(263)	492	26
Oxsensis Limited	3.3	625	(253)	372	110
Mi-Pay Group plc	6.3	1,504	(1,162)	342	(26)
Cisiv Limited	8.6	663	(322)	341	1
Abcodia Limited	5.6	764	(450)	314	(44)
Quantexa Limited	2.7	303	–	303	–
Secured by Design Limited	1.9	280	1	281	1
AVESI Limited	5.5	180	73	253	14
Panaseer Limited	2.0	180	47	227	–
Sandcroft Avenue Limited (PayAsUGym.com)	1.8	160	(21)	139	–
Dickson Financial Services Limited	8.4	84	34	118	(4)
Locum's Nest Limited	2.2	100	–	100	–
MHS 1 Limited	1.2	83	(1)	82	–
InCrowd Sports Limited	1.5	66	–	66	–
Beddlestead Limited	10.0	20	–	20	–
Total fixed asset investments		31,464	10,571	42,035	1,538

* As adjusted for additions and disposals during the period.

Portfolio of investments (continued)

Total change in value of investments for the period	1,538
Movement in loan stock accrued interest	(3)
Unrealised gains sub-total	1,535
Realised gains in current period	259
Total gains on investments as per Income statement	1,794

	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Fixed asset realisations					
<u>Disposals:</u>					
Hilson Moran Holdings Limited	201	1,079	1,471	1,270	392
Relayware Limited <i>(merger with Zift Channel Solutions Inc.)</i>	913	911	901	(12)	(10)
<u>Loan stock repayments/restructuring:</u>					
Oxsensis Limited <i>(conversion of loan stock to equity)</i>	85	117	122	37	5
memsstar Limited	11	189	100	89	(89)
Greenenerco Limited	17	25	25	8	–
Alto Prodotto Wind Limited	2	2	2	–	–
Escrow adjustment	–	–	(39)	(39)	(39)
Total realisations	1,229	2,323	2,582	1,353	259

Condensed income statement

	Note	Unaudited six months ended 30 September 2017			Unaudited six months ended 30 September 2016			Audited year ended 31 March 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	-	1,794	1,794	-	1,697	1,697	-	5,790	5,790
Investment income	4	316	-	316	560	-	560	939	-	939
Investment management fees	5	(164)	(492)	(656)	(139)	(419)	(558)	(292)	(875)	(1,167)
Performance incentive fee	5	(31)	(93)	(124)	-	-	-	(64)	(191)	(255)
Other expenses		(120)	-	(120)	(116)	-	(116)	(227)	-	(227)
Return on ordinary activities before taxation		1	1,209	1,210	305	1,278	1,583	356	4,724	5,080
Tax (charge)/credit on ordinary activities		-	-	-	(59)	59	-	(57)	57	-
Return and total comprehensive income attributable to shareholders		1	1,209	1,210	246	1,337	1,583	299	4,781	5,080
Basic and diluted return per share (pence)*	7	-	2.34	2.34	0.53	2.90	3.43	0.64	10.23	10.87

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2016 and the audited statutory accounts for the year ended 31 March 2017.

The accompanying notes on pages 14 to 19 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 2017 £'000	Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
Fixed asset investments		42,035	35,719	37,775
Current assets				
Trade and other receivables less than one year		1,673	855	232
Cash and cash equivalents		9,385	8,629	15,121
		11,058	9,484	15,353
Total assets		53,093	45,203	53,128
Payables: amounts falling due within one year				
Trade and other payables less than one year		(545)	(341)	(670)
Total assets less current liabilities		52,548	44,862	52,458
Equity attributable to equity holders				
Called up share capital	8	585	521	580
Share premium		23,706	17,564	23,225
Capital redemption reserve		104	104	104
Unrealised capital reserve		10,351	8,070	9,910
Realised capital reserve		2,052	(320)	1,284
Other distributable reserve		15,750	18,923	17,355
Total equity shareholders' funds		52,548	44,862	52,458
Basic and diluted net asset value per share (pence)*		101.62	97.39	101.79

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2016 and the audited statutory accounts for the year ended 31 March 2017.

The accompanying notes on pages 14 to 19 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 2017 and were signed on its behalf by

Maxwell Packe

Chairman

Company number: 05990732

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
As at 1 April 2017	580	23,225	104	9,910	1,284	17,355	52,458
Return/(loss) and total comprehensive income for the period	-	-	-	1,535	(326)	1	1,210
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,094)	1,094	-	-
Issue of equity	5	491	-	-	-	-	496
Cost of issue of equity	-	(10)	-	-	-	-	(10)
Purchase of shares for treasury	-	-	-	-	-	(312)	(312)
Dividends paid	-	-	-	-	-	(1,294)	(1,294)
As at 30 September 2017	585	23,706	104	10,351	2,052	15,750	52,548
As at 1 April 2016	518	17,285	104	6,389	24	20,150	44,470
Return/(loss) and total comprehensive income for the period	-	-	-	1,702	(365)	246	1,583
Transfer of previously unrealised gains on disposal of investments	-	-	-	(21)	21	-	-
Issue of equity	3	283	-	-	-	-	286
Cost of issue of equity	-	(4)	-	-	-	-	(4)
Purchase of shares for treasury	-	-	-	-	-	(317)	(317)
Dividends paid	-	-	-	-	-	(1,156)	(1,156)
As at 30 September 2016	521	17,564	104	8,070	(320)	18,923	44,862
As at 1 April 2016	518	17,285	104	6,389	24	20,150	44,470
Return/(loss) and total comprehensive income for the year	-	-	-	5,016	(235)	299	5,080
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,495)	1,495	-	-
Issue of equity	62	6,106	-	-	-	-	6,168
Cost of issue of equity	-	(166)	-	-	-	-	(166)
Purchase of shares for treasury	-	-	-	-	-	(689)	(689)
Dividends paid	-	-	-	-	-	(2,405)	(2,405)
As at 31 March 2017	580	23,225	104	9,910	1,284	17,355	52,458

* These reserves amount to £17,802,000 (30 September 2016: £18,603,000; 31 March 2017: £18,639,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 September 2017 £'000	Unaudited six months ended 30 September 2016 £'000	Audited year ended 31 March 2017 £'000
Cash flow from operating activities			
Investment income received	283	442	733
Dividend income received	28	10	70
Deposit interest received	2	50	76
Investment management fees paid	(655)	(556)	(1,117)
Performance incentive fee paid	(255)	–	–
Other cash payments	(147)	(128)	(226)
Corporation tax paid	–	–	(11)
Net cash flow from operating activities	(744)	(182)	(475)
Cash flow from investing activities			
Purchase of fixed asset investments	(4,023)	(2,135)	(3,375)
Disposal of fixed asset investments	128	526	4,424
Net cash flow from investing activities	(3,895)	(1,609)	1,049
Cash flow from financing activities			
Issue of share capital	287	2,743	8,271
Cost of issue of equity	(2)	(5)	(1)
Dividends paid	(1,094)	(981)	(2,037)
Purchase of own shares (including costs)	(288)	(317)	(666)
Net cash flow from financing activities	(1,097)	1,440	5,567
(Decrease)/increase in cash and cash equivalents	(5,736)	(351)	6,141
Cash and cash equivalents at start of period	15,121	8,980	8,980
Cash and cash equivalents at end of period	9,385	8,629	15,121
Cash and cash equivalents comprise			
Cash at bank and in hand	9,385	8,629	15,121
Cash equivalents	–	–	–
Total cash and cash equivalents	9,385	8,629	15,121

Notes to the condensed Financial Statements

1. Basis of preparation

The condensed Financial Statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, 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 2014 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 IPEVCV Guidelines and further detail on the valuation techniques used are outlined in note 2 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.

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 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 IPEVCV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, 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 other distributable reserve 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.

Notes to the condensed Financial Statements (continued)

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 fees 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 are allocated to 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.

Performance incentive fee

Any performance incentive fee will be allocated between other distributable and realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

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 share, 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 year end against cost are included in this reserve.

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, or permanent diminutions in value;
- 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 2013 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 buyback 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 equity or debt. The Company invests 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 2017	Unaudited six months ended 30 September 2016	Audited year ended 31 March 2017
	£'000	£'000	£'000
Unrealised gains on fixed asset investments	1,535	1,702	5,016
Realised gains/(losses) on fixed asset investments	259	(5)	774
	1,794	1,697	5,790

4. Investment income

	Unaudited six months ended 30 September 2017	Unaudited six months ended 30 September 2016	Audited year ended 31 March 2017
	£'000	£'000	£'000
Income recognised on investments			
Interest from loans to portfolio companies	286	499	800
Dividends	28	10	70
Bank deposit interest	2	51	69
	316	560	939

All of the Company's income is derived from operations based in the United Kingdom.

5. Investment management fees

	Unaudited six months ended 30 September 2017	Unaudited six months ended 30 September 2016	Audited year ended 31 March 2017
	£'000	£'000	£'000
Investment management fee charged to revenue	164	139	292
Investment management fee charged to capital	492	419	875
Performance incentive fee charged to revenue	31	–	64
Performance incentive fee charged to capital	93	–	191
	780	558	1,422

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 March 2017.

During the period, services of a total value of £656,000 (30 September 2016: £558,000; 31 March 2017: £1,167,000) 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 £328,000 (30 September 2016: £280,000; 31 March 2017: £328,000). For the period to 30 September 2017, a provisional performance incentive fee of £124,000 has been accrued, however any performance incentive fee is calculated and only payable based on year end results (30 September 2016: nil; 31 March 2017: £255,000).

Patrick Reeve is the Managing Partner of the Manager, Albion Capital Group LLP. During the period, the Company was charged £12,000 including VAT (30 September 2016: £12,000; 31 March 2017: £24,000) by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services disclosed as payables was £6,000 (30 September 2016: £6,000; 31 March 2017: £6,000).

Albion Capital Group LLP is, from time to time, eligible to receive transaction fees and monitoring fees from portfolio companies. During the period to 30 September 2017, fees of £135,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2016: £84,000; 31 March 2017: £167,000).

Notes to the condensed Financial Statements (continued)

6. Dividends

	Unaudited six months ended 30 September 2017	Unaudited six months ended 30 September 2016	Audited year ended 31 March 2017
	£'000	£'000	£'000
Dividend of 2.50p per share paid on 31 August 2016	–	1,156	1,156
Dividend of 2.50p per share paid on 28 February 2017	–	–	1,249
Dividend of 2.50p per share paid on 31 August 2017	1,294	–	–
	1,294	1,156	2,405

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2018 of 2.50 pence per share which will be paid on 28 February 2018 to shareholders on the register on 9 February 2018. This is expected to amount to approximately £1,386,000.

7. Basic and diluted return per share

	Unaudited six months ended 30 September 2017			Unaudited six months ended 30 September 2016			Audited year ended 31 March 2017		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Return attributable to equity shares (£'000)	1	1,209	1,210	246	1,337	1,583	299	4,781	5,080
Weighted average shares in issue (excluding treasury shares)		51,809,944			46,172,950			46,759,602	
Return attributable per Ordinary share (pence) (basic and diluted)	–	2.34	2.34	0.53	2.90	3.43	0.64	10.23	10.87

The weighted average number of shares is calculated excluding treasury shares of 6,753,443 (30 September 2016: 6,029,443; 31 March 2017: 6,429,443).

There are no convertible instruments, derivatives or contingent share agreements in issue for the Company, hence there are no dilution effects to the return per share. The basic return per share is therefore the same as the diluted return per share.

Notes to the condensed Financial Statements (continued)

8. Called up share capital

	Unaudited 30 September 2017 £'000	Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
Allotted, called up and fully paid			
58,462,876 Ordinary shares of 1 penny each (30 September 2016: 52,094,810; 31 March 2017: 57,964,774)	585	521	580

Voting rights

51,709,433 shares of 1 penny each (net of treasury shares) (30 September 2016: 46,065,367; 31 March 2017: 51,535,331).

In the six months to 30 September 2017, the Company purchased 324,000 shares (30 September 2016: 359,443; 31 March 2017: 759,443) to be held in treasury with a nominal value of £3,200 (30 September 2016: £3,600; 31 March 2017: £7,600) and at a cost of £312,000 (30 September 2016: £317,000; 31 March 2017: £689,000), representing 0.6 per cent. of the shares in issue (excluding treasury shares) as at 30 September 2017.

The Company holds a total of 6,753,443 shares (30 September 2016: 6,029,443; 31 March 2017: 6,429,443) in treasury representing 11.6 per cent. of the shares in issue as at 30 September 2017.

Under the terms of the Dividend Reinvestment Scheme Circular dated 26 November 2009, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 September 2017:

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 August 2017	203,492	2	98.28	199	97.00

Under the terms of the Albion VCTs Prospectus Top Up Offers 2016/2017, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 September 2017:

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)
7 April 2017	15,240	–	99.40	15	95.00
7 April 2017	16,057	–	99.90	16	95.00
7 April 2017	263,313	3	100.50	256	95.00
	294,610	3		287	

Notes to the condensed Financial Statements (continued)

9. Commitments and contingencies

As at 30 September 2017, the Company had no financial commitments (30 September 2016: £245,000; 31 March 2017: £nil).

There are no contingencies or guarantees of the Company as at 30 September 2017 (30 September 2016: £nil, 31 March 2017: £nil).

10. Post balance sheet events

Since 30 September 2017, the Company has had the following material post balance sheet events:

- Investment of £917,000 in Women's Health (London West One) Limited;
- Investment of £780,000 in Beddlestead Limited;
- Investment of £305,000 in G.Network Communications Limited;
- Investment of £182,000 in OmPrompt Holdings Limited; and
- Investment of £152,000 in Sandcroft Avenue Limited (PayAsUGym.com).

The following new Ordinary shares of nominal value 1 penny per share were allotted under the Albion VCTs prospectus Top Up Offers 2017/18 after 30 September 2017:

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)
17 November 2017	1,324,563	13	99.80	1,302	95.25
17 November 2017	616,447	6	100.30	606	95.25
17 November 2017	1,796,032	18	100.80	1,765	95.25
	3,737,042	37		3,673	

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 2017, and is detailed on page 54 of those accounts. The Company has adequate cash and liquid resources and has no borrowing. The portfolio of investments is diversified in terms of sector, and the major cash outflows of the Company (namely investments, share buy-backs and dividends) 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 435 of the Companies Act 2006 for the periods ended 30 September 2017 and 30 September 2016, and is unaudited. The information for the year ended 31 March 2017 does not constitute statutory accounts within the terms of section 435 of the Companies Act 2006 but is derived from the 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 statements 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/AAEV, where the Report can be accessed from the 'Financial Reports and Circulars' section.

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