

Half-yearly Financial Report
(unaudited) for the six months to
30 September 2016

16

Albion Venture Capital Trust PLC

ALBIONVENTURES

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

Company information

| | |
|---|--|
| Company number | 03142609 |
| Directors | D J Watkins MBA (Harvard), Chairman (US citizen) J M B L Kerr ACMA J Warren ACCA E Dinesen R (Danish) FSR |
| Country of incorporation | United Kingdom |
| Legal form | Public Limited Company |
| Manager, company secretary, AIFM and registered office | Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF |
| Registrar | Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ |
| Taxation adviser | Philip Hare & Associates LLP 1st Floor 4 Staple Inn London, WC1V 7QH |
| Auditor | BDO LLP 55 Baker Street London, W1U 7EU |
| Legal adviser | Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP |

Albion Venture Capital Trust 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 5849 (UK National Rate call, lines are open 8.30 am – 5.30 pm; 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 by 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 Ventures LLP: Tel: 020 7601 1850 (lines are open 9.00 am - 5.30 pm; Mon - Fri, calls may be recorded) Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk</p> |

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

Investment objective and policy

The investment strategy of Albion Venture Capital Trust PLC (the “Company”) is to manage the risk normally associated with investments in smaller unquoted companies whilst maintaining an attractive yield, through allowing investors the opportunity to participate in a balanced portfolio of asset-backed businesses. The Company’s investment portfolio will thus be structured to provide a balance between income and capital growth for the longer term.

This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- the Company invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the portfolio company. Funds managed or advised by Albion Ventures LLP typically own 50 per cent. of the equity of the portfolio company;
- other than the loan stock issued to funds managed or advised by Albion Ventures LLP, portfolio companies do not normally have external borrowings.

The Company offers tax-paying investors substantial tax benefits at the time of investment, on payment of dividends and on the ultimate disposal of the investment.

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 £21.1 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. Each Prime shareholder received 0.8801 shares in the Company for each Prime share that they held at the date of the Merger.

Financial calendar

| | |
|----------------------------------|------------------|
| Record date for second dividend | 9 December 2016 |
| Payment date for second dividend | 30 December 2016 |
| Financial year end | 31 March |

Financial highlights

| | Unaudited six months ended 30 September 2016 (pence per share) | Unaudited six months ended 30 September 2015 (pence per share) | Audited year ended 31 March 2016 (pence per share) |
|-----------------|---|---|---|
| Dividends paid | 2.5 | 2.5 | 5.0 |
| Revenue return | 1.0 | 1.0 | 2.0 |
| Capital return | 2.4 | 2.7 | 3.6 |
| Net asset value | 72.9 | 72.7 | 72.0 |

Ordinary shares (pence per share)

Total shareholder return to 30 September 2016

| | | |
|---|---------------|-------|
| 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 |
| Total dividends paid in the six months to 30 September 2016 | | 2.50 |

Total dividends paid to 30 September 2016

142.30

Net asset value as at 30 September 2016

72.90

Total shareholder return to 30 September 2016

215.20

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 page 19.

In addition to the dividends summarised above, the Directors have declared a second dividend for the year to 31 March 2017 of 2.5 pence per share, to be paid on 30 December 2016 to shareholders on the register as at 9 December 2016.

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.
- All dividends paid by the Company are free of income tax. It is an H.M. Revenue & Customs requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- 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 found in the Investment Companies – VCTs section of the Financial Times on a daily basis. Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value.

Interim management report

Introduction

The results for Albion Venture Capital Trust PLC (the "Company") for the six months to 30 September 2016 showed a total return of 3.4 pence per share, compared to 3.7 pence per share for the same period last year. This positive return was helped by uplifts in the third party professional valuations of our care homes and the two Radnor House schools. After an interim dividend of 2.5 pence per share paid on 29 July 2016, the net asset value for the half year was 72.9 pence per share compared to 72.0 pence per share at 31 March 2016.

Investment performance, progress and prospects

During the period, over £4.3 million was invested in qualifying investments, including £3.3m in the three new care homes (Shinfield View, near Reading; Cumnor Hill House, near Oxford; and Ryefield Court in Hillingdon) which all opened during the period, and £1.0 million in Earnside Energy to facilitate the expansion of its biogas from waste food operations. Meanwhile, loan stock repayments of £0.3 million were received back from our Kew Green VCT (Stansted) and Radnor House School investments during the period.

In terms of trading progress, the early indications from the Company's care homes are encouraging, with the 66 bedroom Shinfield View care home, which opened in April, already more than half full, and the 75 bedroom Cumnor Hill House, which opened in June, already approximately a third full. The 60 bedroom Ryefield Court, which opened in July, is approaching 20 per cent. occupancy.

Radnor House Twickenham has started the new school year with 400 pupils while Radnor House Sevenoaks now has 275 pupils, up from 233 at the end of the summer term.

During the period, profits at the Crown Hotel in Harrogate increased over the corresponding prior year period, but profits at both the Holiday Inn Express at Stansted Airport and The Stanwell Hotel near Heathrow Terminal 5 were lower.

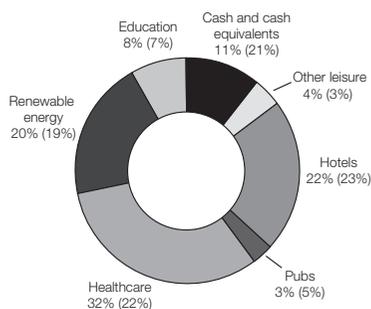
Our renewable energy portfolio experienced lighter than forecast wind and solar performance over the 6 month period, while hydro in general was better than forecast, though negatively affected by the introduction in Scotland of business rates. Meanwhile, Earnside Energy's AD plant continued to perform well and it is intended to expand significantly in 2017.

In the pub sector, the Bravo Inns and Bravo Inns II portfolio is continuing to expand and now comprises 39 pubs in the North West. Meanwhile the Charnwood Pub Company completed the disposal of its portfolio. The Weybridge health and fitness club experienced a small decline in membership over the period.

In general, we are positive on the prospects for the portfolio and, in particular, are pleased by the strong progress made by our new care homes.

Split of portfolio by valuation as at 30 September 2016

Set out below is the sector diversification of the investment portfolio as at 30 September 2016. At that date healthcare and renewable energy investments accounted for approximately 32 per cent. and 20 per cent. of the Company's portfolio including cash.



Comparatives for 31 March 2016 are shown in brackets
Source: Albion Ventures LLP

Risks and uncertainties

The uncertain implications surrounding the exit of the UK from the EU may have a longer term negative impact on consumer and business confidence and it would therefore be wise to prepare for a renewed economic slowdown in the UK. Overall investment risk, however, is mitigated through a variety of processes, including the Company's policy that its portfolio companies should not normally have external borrowings and for the Company to have a first charge over portfolio companies' assets; the Board and Manager see this as an important factor in the control of investment risk. However, on an exceptional basis, certain portfolio companies may take on external borrowings, where the Board considers this will offer a significant benefit to the Company. The Board and the Manager have also been seeking to mitigate risks to the

Interim management report (continued)

Company by increasing its investment in sectors that are less exposed to business and consumer cycles.

Other risks and uncertainties remain unchanged and are as detailed on pages 12 and 13 of the Annual Report and Financial Statements for the year ended 31 March 2016.

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.

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 is still 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 2016 was £290,000. Subject to first purchasing shares held by the market makers, the Board will target 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.

Results and dividends

As at 30 September 2016, the net asset value of the Company was £57.9 million or 72.9 pence per share compared to £57.0 million or 72.0 pence per share at 31 March 2016. The revenue return before taxation was £934,000, compared to £836,000 for the six months to 30 September 2015. The Company will pay a second dividend of 2.5 pence per share on 30 December 2016 to shareholders on the register as at 9 December 2016, making 5.0 pence per share in total for the full year, in line with your Company's current dividend target.

Albion VCTs Prospectus Top Up Offers 2016/17

Your Board, in conjunction with the boards of other VCTs managed by Albion Ventures LLP, is intending to launch shortly a top up offer of new Ordinary shares, aiming to raise circa £4 million out of a target of £24 million in aggregate that the Albion VCTs are seeking to raise. In addition, the Board may elect to allot up to a further £2 million if there is sufficient demand and the Board deems it prudent to do so. The proceeds will be used to provide further resources at a time when a number of attractive investment opportunities are being seen. A Securities Note, which will form part of the Prospectus, will be emailed or posted to shareholders shortly.

David Watkins

Chairman
21 November 2016

Responsibility statement

The Directors, David Watkins, John Kerr, Jeff Warren and Ebbe Dinesen, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 2016 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

David Watkins
Chairman
21 November 2016

Portfolio of investments

The following is a summary of investments as at 30 September 2016:

| Portfolio company | % voting rights held by Albion Venture Capital Trust PLC | Accounting cost* £'000 | Cumulative movement in value £'000 | Value £'000 | Change in value for the period** £'000 |
|--|--|------------------------|------------------------------------|---------------|--|
| Healthcare | | | | | |
| Shinfield Lodge Care Limited | 35.3 | 6,285 | 1,588 | 7,873 | 259 |
| Active Lives Care Limited | 22.2 | 4,530 | 1,362 | 5,892 | 1,164 |
| Ryefield Court Care Limited | 23.6 | 3,540 | 1,375 | 4,915 | 1,252 |
| Total investment in the healthcare sector | | 14,355 | 4,325 | 18,680 | 2,675 |
| Hotels | | | | | |
| Kew Green VCT (Stansted) Limited | 45.2 | 6,072 | 1,356 | 7,428 | (248) |
| The Crown Hotel Harrogate Limited | 24.1 | 4,245 | (1,222) | 3,023 | 66 |
| The Stanwell Hotel Limited | 39.2 | 5,069 | (2,640) | 2,429 | (101) |
| Total investment in the hotel sector | | 15,386 | (2,506) | 12,880 | (283) |
| Renewable energy | | | | | |
| Chonais River Hydro Limited | 9.2 | 3,074 | 547 | 3,621 | (94) |
| Earnside Energy Limited | 9.5 | 1,531 | 95 | 1,626 | 59 |
| Gharagain River Hydro Limited | 11.5 | 1,363 | 170 | 1,533 | (317) |
| Alto Prodotto Wind Limited | 7.4 | 670 | 362 | 1,032 | 8 |
| The Street by Street Solar Programme Limited | 6.5 | 676 | 324 | 1,000 | 45 |
| Regenerco Renewable Energy Limited | 4.5 | 451 | 154 | 605 | 28 |
| Infinite Ventures (Goathill) Limited | 11.5 | 480 | 113 | 593 | 6 |
| Erin Solar Limited | 18.6 | 520 | (11) | 509 | - |
| Dragon Hydro Limited | 7.3 | 311 | 156 | 467 | 1 |
| AVESI Limited | 7.4 | 242 | 71 | 313 | 17 |
| Harvest AD Limited | - | 307 | - | 307 | - |
| Greenenerco Limited | 3.9 | 135 | 76 | 211 | - |
| Total investment in the renewable energy sector | | 9,760 | 2,057 | 11,817 | (247) |
| Education | | | | | |
| Radnor House School (Holdings) Limited | 7.1 | 2,451 | 1,903 | 4,354 | 585 |
| Total investment in the education sector | | 2,451 | 1,903 | 4,354 | 585 |
| Pubs | | | | | |
| Bravo Inns II Limited | 6.4 | 1,085 | 71 | 1,156 | 20 |
| Bravo Inns Limited | 7.6 | 751 | (161) | 590 | - |
| Total investment in the pub sector | | 1,836 | (90) | 1,746 | 20 |
| Other | | | | | |
| The Charnwood Pub Company Limited | 14.8 | 1,196 | (168) | 1,028 | (11) |
| The Weybridge Club Limited | 14.3 | 2,246 | (1,484) | 762 | (139) |
| G&K Smart Developments VCT Limited | 42.9 | 276 | (41) | 235 | (1) |
| Premier Leisure (Suffolk) Limited | 9.9 | 175 | (5) | 170 | 1 |
| Total other investments | | 3,893 | (1,698) | 2,195 | (150) |
| Total fixed asset investments | | 47,681 | 3,991 | 51,672 | 2,600 |

| | |
|--|--------------|
| Total change in value of investments for the period | 2,600 |
| Movement in loan stock accrued interest | (341) |
| Unrealised gains sub-total | 2,259 |
| Realised gain in current period | 4 |
| Total gains on investments as per Income statement | 2,263 |

| Fixed asset investment realisations during the period to 30 September 2016 | Accounting cost* £'000 | Opening carrying value £'000 | Disposal proceeds £'000 | Total realised gain £'000 | Gain on opening value £'000 |
|--|------------------------|------------------------------|-------------------------|---------------------------|-----------------------------|
| Kew Green VCT (Stansted) Limited (<i>loan stock repaid</i>) | 243 | 243 | 243 | - | - |
| Radnor House School (Holdings) Limited (<i>loan stock repaid</i>) | 71 | 71 | 71 | - | - |
| Kensington Health Clubs Limited | - | - | 4 | 4 | 4 |
| Total | 314 | 314 | 318 | 4 | 4 |

* The cost includes the original cost from Albion Ventures 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.

Condensed income statement

| | Note | Unaudited six months ended 30 September 2016 | | | Unaudited six months ended 30 September 2015 | | | Audited year ended 31 March 2016 | | |
|---|------|--|------------------|----------------|--|------------------|----------------|--|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains on investments | 3 | – | 2,263 | 2,263 | – | 2,222 | 2,222 | – | 3,203 | 3,203 |
| Investment income | 4 | 1,219 | – | 1,219 | 1,097 | – | 1,097 | 2,236 | – | 2,236 |
| Investment management fees | 5 | (136) | (409) | (545) | (117) | (351) | (468) | (246) | (739) | (985) |
| Other expenses | | (149) | – | (149) | (144) | – | (144) | (287) | – | (287) |
| Return on ordinary activities before tax | | 934 | 1,854 | 2,788 | 836 | 1,871 | 2,707 | 1,703 | 2,464 | 4,167 |
| Tax (charge)/ credit on ordinary activities | | (185) | 81 | (104) | (160) | 70 | (90) | (300) | 148 | (152) |
| Return and total comprehensive income attributable to shareholders | | 749 | 1,935 | 2,684 | 676 | 1,941 | 2,617 | 1,403 | 2,612 | 4,015 |
| Basic and diluted return per share (pence)* | 7 | 1.0 | 2.4 | 3.4 | 1.0 | 2.7 | 3.7 | 2.0 | 3.6 | 5.6 |

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2015 and the audited statutory accounts for the year ended 31 March 2016.

The accompanying notes on pages 13 to 18 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.

There are no recognised gains or losses other than the results for the periods disclosed above. Accordingly a Statement of total comprehensive income is not required.

The difference between the reported return on ordinary activities before tax and the historical profit is due to the fair value movements on investments.

Condensed balance sheet

| | Note | Unaudited 30 September 2016 £'000 | Unaudited 30 September 2015 £'000 | Audited 31 March 2016 £'000 |
|---|------|---|---|-----------------------------------|
| Fixed asset investments | | 51,672 | 41,958 | 45,015 |
| Current assets | | | | |
| Trade and other receivables less than one year | | 111 | 128 | 2,139 |
| Cash and cash equivalents | | 6,706 | 10,285 | 10,330 |
| | | 6,817 | 10,413 | 12,469 |
| Total assets | | 58,489 | 52,371 | 57,484 |
| Creditors: amounts falling due within one year | | | | |
| Trade and other payables less than one year | | (613) | (593) | (529) |
| Total assets less current liabilities | | 57,876 | 51,778 | 56,955 |
| Equity attributable to equityholders | | | | |
| Called up share capital | 8 | 868 | 778 | 861 |
| Share premium | | 18,881 | 12,645 | 18,374 |
| Capital redemption reserve | | 7 | 7 | 7 |
| Unrealised capital reserve | | 3,387 | (55) | 1,128 |
| Realised capital reserve | | 10,414 | 11,249 | 10,737 |
| Other distributable reserve | | 24,319 | 27,154 | 25,848 |
| Total equity shareholders' funds | | 57,876 | 51,778 | 56,955 |
| Basic and diluted net asset value per share (pence)* | | 72.9 | 72.7 | 72.0 |

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2015 and the audited statutory accounts for the year ended 31 March 2016.

The accompanying notes on pages 13 to 18 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 21 November 2016, and were signed on its behalf by

David Watkins

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 |
|--|--|---------------------------|---|---|--|---|----------------|
| As at 1 April 2016 | 861 | 18,374 | 7 | 1,128 | 10,737 | 25,848 | 56,955 |
| Return/(loss) and total comprehensive income for the period | - | - | - | 2,259 | (323) | 749 | 2,684 |
| Purchase of treasury shares | - | - | - | - | - | (290) | (290) |
| Issue of equity | 7 | 515 | - | - | - | - | 522 |
| Cost of issue of equity | - | (8) | - | - | - | - | (8) |
| Equity dividends paid | - | - | - | - | - | (1,987) | (1,987) |
| As at 30 September 2016 | 868 | 18,881 | 7 | 3,387 | 10,414 | 24,319 | 57,876 |
| As at 1 April 2015 | 714 | 8,228 | 7 | (2,269) | 11,522 | 28,726 | 46,928 |
| Return/(loss) and total comprehensive income for the period | - | - | - | 2,214 | (273) | 676 | 2,617 |
| Purchase of treasury shares | - | - | - | - | - | (459) | (459) |
| Issue of equity | 64 | 4,551 | - | - | - | - | 4,615 |
| Cost of issue of equity | - | (134) | - | - | - | - | (134) |
| Equity dividends paid | - | - | - | - | - | (1,789) | (1,789) |
| As at 30 September 2015 | 778 | 12,645 | 7 | (55) | 11,249 | 27,154 | 51,778 |
| As at 1 April 2015 | 714 | 8,228 | 7 | (2,269) | 11,522 | 28,726 | 46,928 |
| Return and total comprehensive income for the year | - | - | - | 2,343 | 269 | 1,403 | 4,015 |
| Transfer of previously unrealised gains/(losses) on realisations of investments | - | - | - | 1,054 | (1,054) | - | - |
| Purchase of treasury shares | - | - | - | - | - | (733) | (733) |
| Issue of equity | 147 | 10,423 | - | - | - | - | 10,570 |
| Cost of issue of equity | - | (277) | - | - | - | - | (277) |
| Equity dividends paid | - | - | - | - | - | (3,549) | (3,549) |
| As at 31 March 2016 | 861 | 18,374 | 7 | 1,128 | 10,737 | 25,848 | 56,955 |

* Included within the aggregate of these reserves is an amount of £34,733,000 (30 September 2015: £38,348,000; 31 March 2016: £36,585,000) which is considered distributable.

Condensed statement of cash flows

| | Unaudited six months ended 30 September 2016 £'000 | Unaudited six months ended 30 September 2015 £'000 | Audited year ended 31 March 2016 £'000 |
|---|---|---|---|
| Operating activities | | | |
| Loan stock income received | 824 | 882 | 2,028 |
| Deposit interest received | 51 | 58 | 115 |
| Dividend income received | – | 36 | 81 |
| Investment management fees paid | (541) | (446) | (938) |
| Other cash payments | (175) | (158) | (273) |
| Corporation tax refund/(paid) | 24 | 71 | (99) |
| | <hr/> | <hr/> | <hr/> |
| Net cash flow from operating activities | 183 | 443 | 915 |
| | <hr/> | <hr/> | <hr/> |
| Cash flow from investing activities | | | |
| Purchase of fixed asset investments | (4,373) | (1,955) | (6,430) |
| Disposal of fixed asset investments | 321 | 562 | 2,786 |
| | <hr/> | <hr/> | <hr/> |
| Net cash flow from investing activities | (4,052) | (1,393) | (3,644) |
| | <hr/> | <hr/> | <hr/> |
| Cash flow from financing activities | | | |
| Issue of share capital | 2,243 | 4,195 | 7,886 |
| Cost of issue of equity | (3) | (3) | (2) |
| Dividends paid | (1,705) | (1,527) | (3,094) |
| Purchase of own shares (including costs) | (290) | (432) | (733) |
| | <hr/> | <hr/> | <hr/> |
| Net cash flow from financing activities | 245 | 2,233 | 4,057 |
| | <hr/> | <hr/> | <hr/> |
| (Decrease)/increase in cash and cash equivalents | (3,624) | 1,283 | 1,328 |
| Cash and cash equivalents at start of period | 10,330 | 9,002 | 9,002 |
| | <hr/> | <hr/> | <hr/> |
| Cash and cash equivalents at end of period | 6,706 | 10,285 | 10,330 |
| | <hr/> | <hr/> | <hr/> |
| Cash and cash equivalents comprise: | | | |
| Cash at bank and in hand | 6,706 | 10,285 | 10,330 |
| Cash equivalents | – | – | – |
| | <hr/> | <hr/> | <hr/> |
| Total cash and cash equivalents | 6,706 | 10,285 | 10,330 |
| | <hr/> | <hr/> | <hr/> |

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 below.

The Half-yearly 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.

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:

- 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.

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

Investment income

Unquoted equity income

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

Notes to the condensed Financial Statements (continued)

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 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 through the realised capital reserve.

Performance incentive fee

In the event that a performance incentive fee crystallises, the fee will be allocated between revenue 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 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 and transfers to the other distributable reserve.

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Unrealised capital reserve

Increases and decreases in the valuation of investments held at the 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;
- 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.

Notes to the condensed Financial Statements (continued)

3. Gains on investments

| | Unaudited six months ended 30 September 2016 £'000 | Unaudited six months ended 30 September 2015 £'000 | Audited year ended 31 March 2016 £'000 |
|---|---|---|---|
| Unrealised gains on fixed asset investments | 2,259 | 2,214 | 2,343 |
| Realised gains on fixed asset investments | 4 | 8 | 860 |
| | 2,263 | 2,222 | 3,203 |

4. Investment income

| | Unaudited six months ended 30 September 2016 £'000 | Unaudited six months ended 30 September 2015 £'000 | Audited year ended 31 March 2016 £'000 |
|---|---|---|---|
| Income recognised on investments | | | |
| Loan stock interest | 1,165 | 1,001 | 2,039 |
| Dividend income | 7 | 36 | 81 |
| Bank deposit interest | 47 | 60 | 116 |
| | 1,219 | 1,097 | 2,236 |

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 2016 £'000 | Unaudited six months ended 30 September 2015 £'000 | Audited year ended 31 March 2016 £'000 |
|--|---|---|---|
| Investment management fee charged to revenue | 136 | 117 | 246 |
| Investment management fee charged to capital | 409 | 351 | 739 |
| | 545 | 468 | 985 |

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on page 11 of the Annual Report and Financial Statements for the year ended 31 March 2016.

During the period, services of a total value of £545,000 in management fees and £24,000 in administration fees (30 September 2015: £468,000 in management fees and £24,000 in administration fees; 31 March 2016: £985,000 in management fees and £48,000 in administration fees), were purchased by the Company from Albion Ventures LLP. At the financial period end, the amount due to Albion Ventures LLP in respect of these services was £287,000 (30 September 2015: £258,000; 31 March 2016: £282,000).

Albion Ventures LLP, the Manager, holds 2,534 Ordinary shares as a result of fractional entitlements arising from the merger of Albion Prime VCT PLC with Albion Venture Capital Trust PLC on 25 September 2012. In addition, Albion Ventures LLP holds a further 21,702 Ordinary shares in the Company.

Albion Ventures LLP is, from time to time, eligible to receive transaction fees and monitoring fees from portfolio companies. During the period to 30 September 2016, fees of £63,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2015: £47,000; 31 March 2016: £116,000).

Notes to the condensed Financial Statements (continued)

6. Dividends

| | Unaudited six months ended 30 September 2016 £'000 | Unaudited six months ended 30 September 2015 £'000 | Audited year ended 31 March 2016 £'000 |
|--|---|---|---|
| First dividend paid 31 July 2015 – 2.5 pence per share | – | 1,789 | 1,789 |
| Second dividend paid 31 December 2015 – 2.5 pence per share | – | – | 1,782 |
| First dividend paid 29 July 2016 – 2.5 pence per share | 1,987 | – | – |
| Unclaimed dividends | – | – | (22) |
| | 1,987 | 1,789 | 3,549 |

The Directors have declared a dividend of 2.5 pence per share (total approximately £1,986,000), payable on 30 December 2016 to shareholders on the register as at 9 December 2016.

7. Basic and diluted return per share

| | Unaudited six months ended 30 September 2016 | | Unaudited six months ended 30 September 2015 | | Audited year ended 31 March 2016 | |
|-----------------------------------|---|----------------|--|---------|--|---------|
| | Revenue | Capital | Revenue | Capital | Revenue | Capital |
| Return attributable to | | | | | | |
| Ordinary shares (£'000) | 749 | 1,935 | 676 | 1,941 | 1,403 | 2,612 |
| Weighted average shares in issue | 79,499,061 | | 70,935,543 | | 72,020,718 | |
| Return per Ordinary share (pence) | 1.0 | 2.4 | 1.0 | 2.7 | 2.0 | 3.6 |

The weighted number of shares is calculated excluding treasury shares of 7,391,188 (30 September 2015: 6,544,440; 31 March 2016: 6,954,440).

There are no convertible instruments, derivatives or contingent share agreements in issue, and therefore no dilution affecting the return per share. The basic return per share is therefore the same as the diluted return per share.

8. Called up share capital

| | Unaudited six months ended 30 September 2016 £'000 | Unaudited six months ended 30 September 2015 £'000 | Audited year ended 31 March 2016 £'000 |
|---|---|---|---|
| Allotted, called up and fully paid | | | |
| 86,818,875 Ordinary shares of 1 penny each (30 September 2015: 77,815,553; 31 March 2016: 86,081,939) | 868 | 778 | 861 |

Voting rights

79,427,687 Ordinary shares of 1 penny each (net of treasury shares) (30 September 2015: 71,271,113; 31 March 2016: 79,127,499).

During the period to 30 September 2016 the Company purchased 436,748 Ordinary shares to be held in treasury (30 September 2015: 703,000; 31 March 2016: 1,113,000) at a cost of £290,000 (30 September 2015: £459,000; 31 March 2016: £733,000) representing 0.5% of the shares in issue as at 30 September 2016. The shares purchased for treasury were funded from the Other distributable reserve.

Notes to the condensed Financial Statements (continued)

8. Called up share capital (continued)

The total number of Ordinary shares held in treasury as at 30 September 2016 was 7,391,188 (30 September 2015: 6,544,440; 31 March 2016: 6,954,440) representing 8.5% of the share capital as at 30 September 2016.

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

The total number of Ordinary shares held in treasury as at 30 September 2015 was 6,544,440 (30 September 2014: 5,240,440; 31 March 2015: 5,841,440) representing 8.4% of the share capital as at 30 September 2015.

Under the terms of the Dividend Reinvestment Scheme Circular dated 10 July 2008, the following 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 consideration received (£'000) | Opening market price on allotment date (pence per share) |
|-------------------|---------------------------|---|-------------------------------|------------------------------------|--|
| 29 July 2016 | 374,773 | 4 | 69.5 | 259 | 66.5 |

Under the terms of the Albion VCTs Prospectus Top Up Offers 2015/2016, the following Ordinary shares of nominal value 1 penny each were allotted during the period to 30 September 2016:

| 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) |
|-------------------|---------------------------|---|-------------------------------|------------------------------------|--|
| 6 April 2016 | 245,265 | 2 | 72.0 | 173 | 66.5 |
| 6 April 2016 | 9,897 | – | 72.4 | 7 | 66.5 |
| 6 April 2016 | 107,001 | 1 | 72.8 | 76 | 66.5 |
| | <u>362,163</u> | | | <u>256</u> | |

The offer was fully subscribed and closed on 17 March 2016 after reaching its £6 million limit.

9. Commitments and contingencies

As at 30 September 2016, the Company had the following financial commitments totalling £140,000 (30 September 2015: £6,243,000; 31 March 2016: £2,343,000), which are expected to be invested during the next 12 months:

- £140,000 Shinfield Lodge Care Limited

There are no contingencies or guarantees of the Company as at 30 September 2016 (30 September 2015 and 31 March 2016: nil).

10. Post balance sheet events

Since 30 September 2016 the Company has had the following material post balance sheet events:

- Investment of £140,000 in Shinfield Lodge Care Limited

On 4 November 2016 the Company announced its intention to launch a prospectus in relation to an offer for subscription for new Ordinary shares subject to obtaining regulatory approval. The Company is aiming to raise circa £4 million out of a target of £24 million in aggregate that the Albion VCTs are seeking to raise. A Securities Note, which forms part of the Prospectus, will be sent to shareholders shortly.

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 2016, and is detailed on pages 53 and 54 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 435 of the Companies Act 2006 for the periods ended 30 September 2016 and 30 September 2015, and is unaudited. The information for the year ended 31 March 2016 does not constitute statutory accounts within the terms of section 435 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which were unqualified and 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-ventures.co.uk/funds/AAVC, where the Report can be accessed as a PDF document in the 'Financial Reports and Circulars' section.

Dividend history for Albion Venture Capital Trust PLC 'C Shares' and Albion Prime VCT PLC

| | C shares ⁽ⁱ⁾ (pence per share) | Proforma ⁽ⁱⁱ⁾ Albion Prime VCT PLC (pence per share) |
|---|---|---|
| Total shareholder return to 30 September 2016 | | |
| Total dividends paid to the year ended 31 March 2016 | 128.25 | 64.35 |
| Total dividends paid in the six months to 30 September 2016 | 2.50 | 2.20 |
| Total dividends paid to 30 September 2016 | 130.75 | 66.55 |
| Proforma net asset value as at 30 September 2016 | 72.90 | 64.16 |
| Total proforma shareholder return to 30 September 2016 | 203.65 | 130.71 |

Notes

- (i) The Ordinary Shares and the C Shares merged on an equal basis.
- (ii) The proforma shareholder returns presented above are based on the dividends paid to shareholders before the merger and the pro-rata net asset value per share and pro-rata dividends per share paid to 30 September 2016. This proforma is based upon 0.8801 Albion Venture Capital Trust PLC shares for every Albion Prime VCT PLC share which merged with Albion Venture Capital Trust PLC on 25 September 2012.

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