

# Albion Development VCT PLC



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

2019



**Albion**Capital



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



# Company information

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<b>Company number</b>	03654040
<b>Directors</b>	B Larkin LLB (Chairman) L M Goleby MA (Cantab) Lord O'Shaughnessy MA (Oxon) (appointed 8 July 2019) P H Reeve MA (Oxon) FCA
<b>Country of incorporation</b>	United Kingdom
<b>Legal form</b>	Public Limited Company
<b>Manager, company secretary, AIFM and registered office</b>	Albion Capital Group LLP 1 Benjamin Street London, EC1M 5QL
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
<b>Auditor</b>	BDO LLP 55 Baker Street London, W1U 7EU
<b>Taxation adviser</b>	Philip Hare & Associates LLP 4 Staple Inn London, WC1V 7QH
<b>Legal adviser</b>	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
<b>Depository</b>	Ocorian (UK) Limited 11 Old Jewry London, EC2R 8DU

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

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<b>Shareholder information</b>	For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC: Tel: 0370 873 5853 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls may be recorded) Website: <a href="http://www.investorcentre.co.uk">www.investorcentre.co.uk</a>  Shareholders can access holdings and valuation information regarding any of their shares held by Computershare by registering on Computershare's website.
<b>Financial adviser information</b>	For enquiries relating to the performance of the Company and information for financial advisers please contact Albion Capital Group LLP: Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri; calls are recorded) Email: <a href="mailto:info@albion.capital">info@albion.capital</a> Website: <a href="http://www.albion.capital">www.albion.capital</a>  <b>Please note that these contacts are unable to provide financial or taxation advice.</b>

# Investment policy

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## Investment policy

The Company will invest in a broad portfolio of higher growth businesses with a stronger focus on technology companies across a variety of sectors of the UK economy. Allocation of assets will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified 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 or up to 8 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).

## Risk diversification and maximum exposures

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

The Company's maximum exposure in relation to gearing is restricted to 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 £33.3 million through the issue of shares between 1999 and 2004. The C shares merged with the Ordinary shares in 2007.

A further £6.3 million was raised through an issue of new D shares in 2009/2010. The D shares converted to Ordinary shares on 31 March 2015. D shareholders received 1.4975 Ordinary shares for each D share they owned.

An additional £37.5 million has been raised for the Ordinary shares through the Albion VCTs Top Up Offers since 2011.

## Financial calendar

Record date for second dividend for the year	13 September 2019
Payment date for second dividend for the year	30 September 2019
Financial year end	31 December

# Financial highlights

Ordinary Shares	Unaudited six months ended 30 June 2019 (pence per share)	Unaudited six months ended 30 June 2018 (pence per share)	Audited year ended 31 December 2018 (pence per share)
Opening net asset value	84.70	73.80	73.80
Revenue return	0.28	0.10	0.20
Capital return	2.64	9.20	14.80
Total return	2.92	9.30	15.00
Impact of Fundraising	(0.09)	(0.20)	(0.10)
Dividends paid	(2.25)	(2.00)	(4.00)
Net asset value	85.28	80.90	84.70

	Ordinary shares (pence per share) (ii)	C shares (pence per share) (ii)(iv)	D shares (pence per share) (ii)(v)
<b>Total shareholder return to 30 June 2019</b>			
Total dividends paid during the period ended:			
31 December 1999(i)	1.00	–	–
31 December 2000	2.90	–	–
31 December 2001	3.95	–	–
31 December 2002	4.20	–	–
31 December 2003(iii)	4.50	0.75	–
31 December 2004	4.00	2.00	–
31 December 2005	5.20	5.90	–
31 December 2006	3.00	4.50	–
31 December 2007	5.00	5.36	–
31 December 2008	12.00	12.86	–
31 December 2009	4.00	4.29	–
31 December 2010	8.00	8.57	1.00
31 December 2011	5.00	5.36	2.50
31 December 2012	5.00	5.36	3.50
31 December 2013	5.00	5.36	5.00
31 December 2014	5.00	5.36	5.00
31 December 2015	5.00	5.36	7.49
31 December 2016	5.00	5.36	7.49
31 December 2017	4.00	4.29	5.99
31 December 2018	4.00	4.29	5.99
30 June 2019	2.25	2.41	3.37
<b>Total dividends paid to 30 June 2019</b>	<b>98.00</b>	<b>87.35</b>	<b>47.32</b>
Net asset value as at 30 June 2019	85.28	91.38	127.71
<b>Total shareholder return to 30 June 2019</b>	<b>183.28</b>	<b>178.73</b>	<b>175.03</b>

The Directors have declared a second dividend for the year ending 31 December 2019 of 2.25 pence per Ordinary share payable on 30 September 2019 to shareholders on the register on 13 September 2019.

#### Notes

(i) Assuming subscription for Ordinary shares by the First Closing on 26 January 1999.

(ii) Excludes tax benefits upon subscription.

(iii) Those subscribing for C shares after 30 June 2003 were not entitled to the interim dividend.

(iv) The C shares were converted into Ordinary shares on 31 March 2007, with a conversion ratio of 1.0715 Ordinary shares for each C share. The net asset value per share and all dividends paid subsequent to the conversion of the C shares to the Ordinary shares are multiplied by the conversion factor of 1.0715 in respect of the C shares return, in order to give an accurate picture of the shareholder value since launch relating to the C shares.

(v) The D shares were converted into Ordinary shares on 31 March 2015, with a conversion ratio of 1.4975 Ordinary shares for each D share. The net asset value per share and all dividends paid subsequent to the conversion of the D shares to the Ordinary shares are multiplied by the conversion factor of 1.4975 in respect of the D shares return, in order to give an accurate picture of the shareholder value since launch relating to the D shares.



# Interim management report

## Introduction

The results for Albion Development VCT PLC for the six months to 30 June 2019 show a positive total return of 2.92 pence per share (3.45% on opening net asset value) compared to 9.30 pence per share for the same period in the previous year.

## Board composition

As previously announced, the Company's longest serving Director and Chairman, Geoffrey Vero, sadly passed away on 19 May 2019. Geoffrey's good humour and wise counsel, over many years, will be sorely missed. Therefore, the composition of the Board has changed, and I became Chairman effective from 8 July 2019. The Chairman of the Audit Committee is Lyn Goleby, effective from 3 September 2019.

The Board was pleased to announce that Lord O'Shaughnessy was appointed to the Board with effect from 8 July 2019. Lord O'Shaughnessy brings with him diverse experience, including having operated at the highest levels across UK Government. He was a Parliamentary Under Secretary in the Department for Health & Social Care with key policy responsibilities including life sciences; medicines pricing and regulation; preparing the health and social care sectors for Brexit; and, data, digital and technology, including cyber security. He was created a life peer in 2015 taking the title Baron O'Shaughnessy of Maidenhead in the Royal County of Berkshire, and previously served as Director of Policy in No.10 Downing Street.

## Results and dividends

As at 30 June 2019, the net asset value per Ordinary share was 85.28 pence (30 June 2018: 80.90 pence; 31 December 2018: 84.70 pence). The uplift in net asset value is a result of gains on investments of £2.68 million during the period. Details of the changes in value of investments can be found on pages 8 to 10.

A first dividend of 2.25 pence per share was paid on 31 May 2019. The Directors have declared a second dividend of 2.25 pence per share payable on 30 September 2019, to shareholders on the register on 13 September 2019. This is in line with the current annual dividend target of 4.50 pence per share. The Company continues to offer a Dividend Reinvestment Scheme

whereby shareholders can elect to receive dividends in the form of new shares.

## Investment performance and progress

The results for the six months to 30 June 2019 showed a positive return. This was principally due to the write up of our investment in Proveca, following a new funding round in which the Company participated, and Process Systems Enterprise also benefited from a write up, following the exchange of contracts for the sale of the portfolio company to Siemens for over 10 times total funds invested. The sale of Earnside Energy completed during the period with proceeds totalling £1.3 million. Including interest received during the time this investment was held, the sale resulted in a total return of 1.4 times original cost.

£2.8 million was invested into new and existing portfolio companies, with new investments comprising:

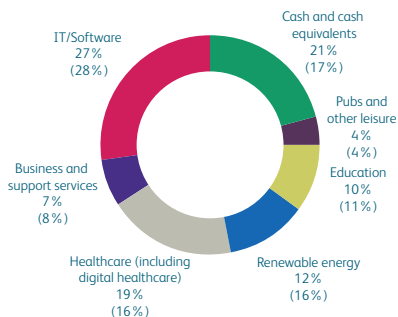
- £440,000 into Limitless Technology (a provider of a customer service platform powered by the crowd and machine learning technology);
- £409,000 into Clear Review (a provider of talent management software to mid market enterprises);
- £400,000 into Avora (a developer of software to improve decision making through augmented analytics and machine learning);
- £166,000 into Imandra (a provider of automated software testing and an enhanced learning experience for artificial neural networks); and
- £76,000 into Symetrica (a designer and manufacturer of radiation detection equipment).

Amongst existing portfolio companies, the largest follow on investments were £745,000 to Proveca, £176,000 to Beddlestead, and £130,000 to OmPrompt Holdings.

The Board is pleased to announce that the new total expenses ratio cap of 2.5 per cent. has resulted in a management fee reduction of £64,000. There has also been a further decrease in the management fee of £7,000 due to the OLIM fee reduction, which is discussed further in note 5. The total return is currently exceeding the targets set and accordingly a performance incentive fee of £126,000 has been accrued. The final value of any fee payable will be dependent on year end results.

# Interim management report continued

## Investment portfolio by sector



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

## Risks and uncertainties

Other than investment performance, the key risks facing the Company are from the broader economy, including changes to VCT rules. The uncertainty over the process and implications of the withdrawal of the UK from the European Union remains a risk, added to which is muted economic growth and other political uncertainty. However, the Manager is clear in focusing efforts to allocate resources to those sectors and opportunities where growth can be both resilient and sustainable.

Other principal risks and uncertainties remain unchanged and are as detailed on pages 14 and 15 of the Annual Report and Financial Statements for the year ended 31 December 2018.

## 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 constraint that such purchases are in the Company's interest.

It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit.

## Albion VCTs Top Up Offers

The Company was pleased to announce on 3 April 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.

## Transactions with the Manager

Details of the transactions that took place with the Manager in the period can be found in note 5. Details of related party transactions can be found in note 11.

## 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](http://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](mailto:info@albion.capital), if you wish to check whether any claims made are genuine.

## Prospects

We are pleased with the performance of the Company's investment portfolio during the period. The Board remains encouraged by the performance of a number of companies within the investment portfolio and by the quality of the new investments being made. We believe the portfolio is well positioned to continue to grow over the coming years.

**Ben Larkin**

Chairman

16 September 2019



# Responsibility statement

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The Directors, Ben Larkin, Lyn Goleby, Lord O'Shaughnessy and Patrick Reeve, are responsible for the preparation of the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 June 2019 we, the Directors of the Company, confirm that to the best of our knowledge:

- (a) the condensed set of Financial Statements, which has been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting", 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

**Ben Larkin**

Chairman  
16 September 2019

# Portfolio of investments

Fixed asset investments	% voting rights	As at 30 June 2019			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
<b>Unquoted investments</b>					
Radnor House School (Holdings) Limited	8.8	2,648	3,990	6,638	83
Egress Software Technologies Limited	6.9	2,332	4,115	6,447	–
Proveca Limited	11.8	1,829	2,594	4,423	1,041
Quantexa Limited	2.9	727	2,283	3,010	–
Chonais River Hydro Limited	4.6	1,705	654	2,359	(17)
The Street by Street Solar Programme Limited	12.4	1,291	980	2,271	38
Mirada Medical Limited	7.7	909	1,148	2,057	(79)
Regenerco Renewable Energy Limited	11.9	1,204	745	1,949	39
G.Network Communications Limited	3.7	850	1,010	1,860	42
Bravo Inns II Limited	6.7	1,080	519	1,599	170
Alto Prodotto Wind Limited	9.4	787	527	1,314	(16)
Process Systems Enterprise Limited	1.3	131	1,172	1,303	846
Sandcroft Avenue Limited (T/A Hussle)	6.6	1,191	(63)	1,128	(110)
Beddlestead Limited	8.6	1,026	(4)	1,022	(2)
Zift Channel Solutions Inc.	1.6	885	124	1,009	10
MPP Global Solutions Limited	3.4	1,000	–	1,000	–
Convertr Media Limited	6.3	968	18	986	(367)
OmPrompt Holdings Limited	10.7	994	(32)	962	246
The Ewell (Harley Street) Limited	7.5	933	–	933	–
Albion Investment Properties Limited	68.2	929	(26)	903	35
MyMeds&Me Limited	9.9	940	(50)	890	–
Black Swan Data Limited	1.8	848	–	848	–
Panaseer Limited	3.2	557	214	771	–
Secured by Design Limited	2.2	330	373	703	169
Oviva AG	3.7	642	20	662	14
Cisiv Limited	7.7	686	(27)	659	–
Locum's Nest Limited	6.2	550	33	583	–
DySIS Medical Limited	2.3	1,038	(502)	536	7
Koru Kids Limited	2.2	272	256	528	256
AVESI Limited	10.5	340	151	491	(8)
TWCL Limited	9.4	518	(31)	487	(3)
The Q Garden Company Limited	16.6	466	(1)	465	–
Limitless Technology Limited	2.8	440	–	440	–
Phrasee Limited	2.0	410	–	410	–
Clear Review Limited	3.2	409	–	409	–
Avora Limited	2.5	400	–	400	–
Dragon Hydro Limited	5.5	225	128	353	(10)
Abcodia Limited	4.7	809	(523)	286	–
Arecor Limited	1.5	280	–	280	–
InCrowd Sports Limited	2.9	252	24	276	–
Aridhia Informatics Limited	5.8	1,129	(888)	241	(215)
MHS 1 Limited	3.3	231	–	231	–
Greenenerco Limited	4.0	128	92	220	4

# Portfolio of investments continued

Fixed asset investments	% voting rights	As at 30 June 2019			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Oxsenis Limited	1.7	274	(64)	210	33
Bravo Inns Limited	2.6	267	(65)	202	21
Forward Clinical Limited	1.8	190	–	190	–
Innovation Broking Group Limited	8.4	84	100	184	38
Imandra Inc.	1.7	166	–	166	–
memsstar Limited	2.8	94	67	161	29
uMotif Limited	1.2	200	(60)	140	(60)
Premier Leisure (Suffolk) Limited	6.2	109	12	121	(3)
Erin Solar Limited	4.3	120	(5)	115	–
Healios Limited	1.0	100	–	100	–
ePatient Network Limited (T/A Raremark)	1.4	135	(49)	86	(49)
Symetrica Limited	0.3	76	–	76	–
Elements Software Limited	0.6	3	(3)	–	–
<b>Total unquoted investments</b>		<b>37,137</b>	<b>18,956</b>	<b>56,093</b>	<b>2,182</b>
<b>Quoted Investments</b>					
Mi-Pay Group PLC		823	(683)	140	15
<b>Total fixed asset investments</b>		<b>37,960</b>	<b>18,273</b>	<b>56,233</b>	<b>2,197</b>

Current asset investments	As at 30 June 2019			Change in value for the period £'000*
	Cost £'000	Cumulative movement in value £'000	Value £'000	
SVS Albion OLIM UK Equity Income Fund	2,600	3	2,603	160
<b>Total current asset investments</b>	<b>2,600</b>	<b>3</b>	<b>2,603</b>	<b>160</b>

\* as adjusted for additions and disposals during the period; including realised gains/(losses).

# Portfolio of investments continued

Investment realisations in the period to 30 June 2019	Cost £'000	Opening value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
<u>Disposals:</u>					
Earnside Energy Limited	1,089	1,384	1,281	192	(103)
Tambla Limited	11	6	6	(5)	–
<u>Loan stock repayments, restructurings and other:</u>					
Mirada Medical Limited	472	598	637	165	39
Radnor House School (Holdings) Limited	79	79	79	–	–
Alto Prodotto Wind Limited	14	21	21	7	–
memsstar Limited	5	5	5	–	–
Greenenerco Limited	2	3	3	1	–
Escrow adjustments**	–	–	232	232	232
<b>Total</b>	<b>1,672</b>	<b>2,096</b>	<b>2,264</b>	<b>592</b>	<b>168</b>

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

<b>Total change in value of investments for the period</b>	<b>2,197</b>
Movement in loan stock accrued interest	153
<b>Unrealised gains on fixed asset investments sub-total</b>	<b>2,350</b>
Unrealised gains on current asset investments	160
Realised gains in the current period	168
<b>Total gains on investments as per Income statement</b>	<b>2,678</b>

# Condensed income statement

	Note	Unaudited six months ended 30 June 2019			Unaudited six months ended 30 June 2018			Audited year ended 31 December 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	2,678	2,678	–	7,528	7,528	–	12,326	12,326
Investment income	4	593	–	593	375	–	375	881	–	881
Investment management fee	5	(172)	(515)	(687)	(160)	(482)	(642)	(334)	(1,004)	(1,338)
Performance incentive fee	5	(32)	(94)	(126)	(64)	(192)	(256)	(105)	(315)	(420)
Other expenses		(143)	–	(143)	(117)	–	(117)	(231)	–	(231)
<b>Profit on ordinary activities before tax</b>		<b>246</b>	<b>2,069</b>	<b>2,315</b>	<b>34</b>	<b>6,854</b>	<b>6,888</b>	<b>211</b>	<b>11,007</b>	<b>11,218</b>
Tax (charge)/credit on ordinary activities		(21)	21	–	–	–	–	(30)	30	–
<b>Profit and total comprehensive income attributable to shareholders</b>		<b>225</b>	<b>2,090</b>	<b>2,315</b>	<b>34</b>	<b>6,854</b>	<b>6,888</b>	<b>181</b>	<b>11,037</b>	<b>11,218</b>
<b>Basic and diluted return per share (pence)*</b>	7	<b>0.28</b>	<b>2.64</b>	<b>2.92</b>	0.10	9.20	9.30	0.20	14.80	15.00

\* adjusted for treasury shares

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

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

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

# Condensed balance sheet

	Note	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
<b>Fixed asset investments</b>		<b>56,233</b>	45,138	52,663
<b>Current assets</b>				
Current asset investments		2,603	199	1,243
Trade and other receivables less than one year		1,403	979	1,128
Cash and cash equivalents		11,753	15,220	9,189
		<b>15,759</b>	16,398	11,560
<b>Total assets</b>		<b>71,992</b>	61,536	64,223
<b>Payables: amounts falling due within one year</b>				
Trade and other payables less than one year		(545)	(733)	(845)
<b>Total assets less current liabilities</b>		<b>71,447</b>	60,803	63,378
<b>Equity attributable to equityholders</b>				
Called up share capital	8	934	835	839
Share premium		36,418	28,161	28,406
Capital redemption reserve		12	12	12
Unrealised capital reserve		18,320	11,669	16,234
Realised capital reserve		11,543	11,921	11,539
Other distributable reserve		4,220	8,205	6,348
<b>Total equity shareholders' funds</b>		<b>71,447</b>	60,803	63,378
<b>Basic and diluted net asset value per share (pence)*</b>		<b>85.28</b>	80.90	84.70

\*excluding treasury shares

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

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

These Financial Statements were approved by the Board of Directors and authorised for issue on 16 September 2019, and were signed on its behalf by

**Ben Larkin**  
Chairman  
Company number: 03654040



# 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
<b>As at 1 January 2019</b>	839	28,406	12	16,234	11,539	6,348	63,378
Profit and total comprehensive income for the period	-	-	-	2,510	(420)	225	2,315
Transfer of previously unrealised gains on disposal of investments	-	-	-	(424)	424	-	-
Purchase of shares for treasury	-	-	-	-	-	(473)	(473)
Issue of equity	95	8,211	-	-	-	-	8,306
Cost of issue of equity	-	(199)	-	-	-	-	(199)
Dividends paid	-	-	-	-	-	(1,880)	(1,880)
<b>As at 30 June 2019</b>	934	36,418	12	18,320	11,543	4,220	71,447
<b>As at 1 January 2018</b>	801	25,704	12	10,892	5,844	10,093	53,346
Profit and total comprehensive income for the period	-	-	-	3,941	2,913	34	6,888
Transfer of previously unrealised gains on disposal of investments	-	-	-	(3,164)	3,164	-	-
Purchase of shares for treasury	-	-	-	-	-	(417)	(417)
Issue of equity	34	2,515	-	-	-	-	2,549
Cost of issue of equity	-	(58)	-	-	-	-	(58)
Dividends paid	-	-	-	-	-	(1,505)	(1,505)
<b>As at 30 June 2018</b>	835	28,161	12	11,669	11,921	8,205	60,803
<b>As at 1 January 2018</b>	801	25,704	12	10,892	5,844	10,093	53,346
Profit and total comprehensive income for the period	-	-	-	8,560	2,477	181	11,218
Transfer of unrealised gains on disposal of investments	-	-	-	(3,218)	3,218	-	-
Purchase of shares for treasury	-	-	-	-	-	(921)	(921)
Issue of equity	38	2,761	-	-	-	-	2,799
Cost of issue of equity	-	(59)	-	-	-	-	(59)
Dividends paid	-	-	-	-	-	(3,005)	(3,005)
<b>As at 31 December 2018</b>	839	28,406	12	16,234	11,539	6,348	63,378

\*These reserves amount to £15,763,000 (30 June 2018: £20,126,000; 31 December 2018: £17,887,000) which is considered distributable.

# Condensed statement of cash flows

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
<b>Cash flow from operating activities</b>			
Loan stock income received	588	357	809
Deposit interest received	24	15	38
Dividend income received	104	32	56
Investment management fee paid	(708)	(600)	(1,284)
Performance incentive fee paid	(420)	–	–
Other cash payments	(145)	(135)	(227)
Corporation tax paid	–	–	–
<b>Net cash flow from operating activities</b>	<b>(557)</b>	<b>(331)</b>	<b>(608)</b>
<b>Cash flow from investing activities</b>			
Purchase of current asset investments	(1,200)	(200)	(1,400)
Purchase of fixed asset investments	(2,832)	(2,825)	(5,722)
Disposal of fixed asset investments	1,382	6,965	7,154
<b>Net cash flow from investing activities</b>	<b>(2,650)</b>	<b>3,940</b>	<b>32</b>
<b>Cash flow from financing activities</b>			
Issue of share capital	7,807	2,244	2,244
Cost of issue of shares	(2)	(1)	(3)
Equity dividends paid	(1,561)	(1,257)	(2,510)
Purchase of own shares (including costs)	(473)	(330)	(921)
<b>Net cash flow from financing activities</b>	<b>5,771</b>	<b>656</b>	<b>(1,190)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>2,564</b>	<b>4,265</b>	<b>(1,766)</b>
Cash and cash equivalents at start of period	9,189	10,955	10,955
<b>Cash and cash equivalents at end of period</b>	<b>11,753</b>	<b>15,220</b>	<b>9,189</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank	11,753	15,220	9,189
Cash equivalents	–	–	–
<b>Total cash and cash equivalents</b>	<b>11,753</b>	<b>15,220</b>	<b>9,189</b>

# Notes to the condensed Financial Statements

## 1. Basis of accounting

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 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 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 and current 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, the 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 designated by the Company as FVTPL and are included at their initial fair value, which is cost (excluding expenses incidental to the acquisition which are written off to the income statement).

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

- Investments listed on recognised exchanges, including liquid open-ended equity funds, 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 other distributable reserve when a share becomes ex-dividend.

### Other current assets and payables

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

# Notes to the condensed Financial Statements continued

## 2. Accounting policies (continued)

### Investment income

#### Equity income

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

#### Unquoted loan stock

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 accruals basis using the rate of interest agreed with the bank.

### Investment management fees, performance incentive fees and 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 capital account to the extent that these relate to an enhancement in the value of the investments. 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 (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, 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 2012 to form a single reserve named other distributable reserve.

This reserve accounts for the 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 equity and debt. The Company invests in smaller companies principally based in the UK.

# Notes to the condensed Financial Statements continued

## 3. Gains on investments

	<b>Unaudited six months ended 30 June 2019 £'000</b>	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Unrealised gains on fixed asset investments	2,350	3,942	8,717
Unrealised gains/(losses) on current asset investments	160	(1)	(157)
Realised gains on fixed asset investments	168	3,587	3,766
	<b>2,678</b>	<b>7,528</b>	<b>12,326</b>

## 4. Investment income

	<b>Unaudited six months ended 30 June 2019 £'000</b>	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Loan stock interest and other fixed returns	435	328	787
UK dividend income	134	32	56
Bank deposit interest	24	15	38
	<b>593</b>	<b>375</b>	<b>881</b>

## 5. Investment management fee and performance incentive fee

	<b>Unaudited six months ended 30 June 2019 £'000</b>	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Investment management fee charged to revenue	172	160	334
Investment management fee charged to capital	515	482	1,004
Performance incentive fee charged to revenue	32	64	105
Performance incentive fee charged to capital	94	192	315
	<b>813</b>	<b>898</b>	<b>1,758</b>

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 page 12 of the Annual Report and Financial Statements for the year ended 31 December 2018.

During the period, services to a total value of £687,000 (30 June 2018: £642,000; 31 December 2018: £1,338,000) 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 was £333,000 (30 June 2018: £342,000; 31 December 2018: £355,000). The total annual running costs of the Company are capped at an amount equal to 2.5 per cent. of the Company's net assets, with any excess being met by Albion by way of a reduction in management fees. During the period, the management fee was reduced by £64,000 as a result of this cap (30 June 2018: £nil; 31 December 2018: £nil). For the period to 30 June 2019, a provisional performance incentive fee of £126,000 has been accrued, however any performance incentive fee is only payable on year end results (30 June 2018: £256,000; 31 December 2018: £420,000).

During the period, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (30 June 2018: £nil; 31 December 2018: £nil).

Albion Capital Group LLP, its Partners and staff (including Patrick Reeve) hold 515,412 Ordinary shares in the Company.

# Notes to the condensed Financial Statements continued

## 5. Investment management fee and performance incentive fee (continued)

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period ended 30 June 2019, fees of £108,000 attributable to the investments of the Company were paid pursuant to these arrangements (30 June 2018: £110,000; 31 December 2018: £190,000).

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 received a fee of 2.5 per cent. of the gross proceeds of the Offers and out of which Albion Capital paid the costs of the Offers, as detailed in the Prospectus. The Offers closed on 3 April 2019.

During the period, an amount of £1,200,000 (30 June 2018: £200,000; 31 December 2018: £1,400,000) was invested in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") as part of the Company's management of surplus liquid funds. To avoid double charging, Albion agreed to reduce its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM. This resulted in a further reduction of the management fee of £7,000 (30 June 2018: £nil; 31 December 2018: £3,000).

## 6. Dividends

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Dividend of 2.00p per Ordinary share paid on 31 May 2018	–	1,505	1,505
Dividend of 2.00p per Ordinary share paid on 28 September 2018	–	–	1,503
Dividend of 2.25p per Ordinary share paid on 31 May 2019	1,880	–	–
Unclaimed dividends	–	–	(3)
	<b>1,880</b>	<b>1,505</b>	<b>3,005</b>

The Directors have declared a second dividend for the year ending 31 December 2019 of 2.25 pence per Ordinary share (total approximately £1,885,000), payable on 30 September 2019 to shareholders on the register on 13 September 2019.

## 7. Basic and diluted return per share

	Unaudited six months ended 30 June 2019		Unaudited six months ended 30 June 2018		Audited year ended 31 December 2018	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return attributable to Ordinary shares (£'000)	225	2,090	34	6,854	181	11,037
Weighted average shares in issue	79,196,675		74,379,984		74,732,976	
Return per Ordinary share (pence)	0.28	2.64	0.10	9.20	0.20	14.80

The weighted average number of shares is calculated after adjusting for treasury shares of 9,668,156 (30 June 2018: 8,409,700; 31 December 2018: 9,072,156).

There are no convertible instruments, derivatives or contingent share agreements in issue 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. Ordinary share capital

	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
<b>Allotted, called up and fully paid Ordinary shares of 1 penny each</b>			
Number of shares	93,449,963	83,543,578	83,860,469
Nominal value of allotted shares (£'000)	934	835	839
Voting rights (number of shares net of treasury shares)	83,781,807	75,113,878	74,788,313

During the period to 30 June 2019 the Company purchased 596,000 Ordinary shares (nominal value £5,960) for treasury at a cost of £473,000. The total number of Ordinary shares held in treasury as at 30 June 2019 was 9,668,156 (30 June 2018: 8,409,700; 31 December 2018: 9,072,156) representing 10.4 per cent. of the Ordinary shares in issue as at 30 June 2019.

Under the terms of the Dividend Reinvestment Scheme Circular dated 27 August 2008, the following new Ordinary shares, of nominal value 1 penny each, were allotted:

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 May 2019	376,536	4	83.91	301	78.50

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

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
1 April 2019	1,483,587	15	86.00	1,257	79.50
1 April 2019	280,678	3	86.50	238	79.50
1 April 2019	6,249,810	62	86.90	5,296	79.50
5 April 2019	680,623	7	86.90	577	80.50
12 April 2019	165,805	2	86.00	140	80.50
12 April 2019	3,699	–	86.50	3	80.50
12 April 2019	348,756	3	86.90	296	80.50
	<u>9,212,958</u>	<u>92</u>		<u>7,807</u>	

## 9. Commitments and contingencies

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

There were no contingencies or guarantees of the Company as at 30 June 2019 (30 June 2018: £nil; 31 December 2018: £nil).

# Notes to the condensed Financial Statements continued

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## 10. Post balance sheet events

The following are the post balance sheet events since 30 June 2019:

- Investment of £639,000 in Elliptic Enterprises Limited;
- Investment of £400,000 in SVS Albion OLIM UK Equity Income Fund;
- Investment of £188,000 in Koru Kids Limited;
- Investment of £37,000 in The Ewell (Harley Street) Limited; and
- Investment of £23,000 in Convertr Media Limited.

## 11. Related party transactions

During the period, a total of £1,200,000 (30 June 2018: £200,000; 31 December 2018: £1,400,000) was invested into the SVS Albion OLIM UK Equity Income Fund ("OUEIF"), a fund managed by OLIM Limited which is part of the Albion Group.

Albion agreed to reduce that proportion of its management fee relating to the investment in the OUEIF by 0.75 per cent. per annum, which represents the OUEIF management fee charged by OLIM; this resulted in a reduction of the management fee of £7,000 (30 June 2018: £nil; 31 December 2018: £3,000).

Other than transactions with the Manager as disclosed in note 5 and that disclosed above, there are no other related party transactions or balances requiring disclosure.

## 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 December 2018 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 June 2019 and 30 June 2018 and is unaudited. The information for the year ended 31 December 2018, does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 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/AADV](http://www.albion.capital/funds/AADV), where the Report can be accessed from the 'Financial Reports and Circulars' section.





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