

Albion Venture Capital Trust PLC

Half-yearly Financial Report
(unaudited) for the
six months to 30 September 2020

2020



Contents

Page

2	Company Information
3	Investment policy
3	Financial calendar
4	Financial highlights
5	Interim management report
7	Responsibility statement
8	Portfolio of investments
10	Condensed income statement
11	Condensed balance sheet
12	Condensed statement of changes in equity
13	Condensed statement of cash flows
14	Notes to the condensed Financial Statements

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

Company information

Company number	03142609
Directors	Richard Glover, Chairman John Kerr ACMA Ann Berresford ACA Richard Wilson
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Capital Group LLP 1 Benjamin Street London, EC1M 5QL
Registrar	Computershare Investor Services PLC The Pavillons Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Corporate broker	Panmure Gordon (UK) Limited One New Change London, EC4M 9AF
Taxation adviser	Philip Hare & Associates LLP 1 Temple Avenue London, EC4Y 0HA
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
Depository	Ocorian (UK) Limited Level 5, 30 Fenchurch Street London, EC3M 3BY

Albion Venture Capital Trust PLC is a member of The Association of Investment Companies (www.theaic.co.uk).

Shareholder information

For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:

Tel: 0370 873 5849 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri, calls are recorded)

Website: www.investorcentre.co.uk

Shareholders can access holdings and valuation information regarding any of their shares held by Computershare by registering on Computershare's website.

Shareholders can also contact the Chairman directly on: AAVCchair@albion.capital

Financial adviser information

For enquiries relating to the performance of the Company, and information for financial advisers, please contact Albion Capital Group LLP:

Email: info@albion.capital

Tel: 020 7601 1850 (lines are open 9.00am – 5.30 pm; Mon – Fri, calls are recorded)

Website: www.albion.capital

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

Investment policy

Albion Venture Capital Trust PLC (the "Company") is a venture capital trust and the investment policy is intended to produce a regular and predictable dividend stream with an appreciation in capital value.

Investment policy

The Company will invest in a broad portfolio of smaller, unquoted growth businesses across a variety of sectors including higher risk technology companies. Investments may take the form of equity or a mixture of equity and loans.

Allocation of funds will be determined by the investment opportunities which become available but efforts will be made to ensure that the portfolio is diversified both in terms of sector and stage of maturity of company. Funds held pending investment or for liquidity purposes will be held as cash on deposit.

Risk diversification and maximum exposures

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

Gearing

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

Financial calendar

Record date for second dividend	8 January 2021
Payment date for second dividend	29 January 2021
Financial year end	31 March

Financial highlights

	Unaudited six months ended 30 September 2020 (pence per share)	Unaudited six months ended 30 September 2019 (pence per share)	Audited year ended 31 March 2020 (pence per share)
Opening net asset value	70.13	79.00	79.00
Capital return/(loss)	1.48	0.52	(5.98)
Revenue return	0.43	1.03	1.88
Total return/(loss)	1.91	1.55	(4.10)
Impact from share capital movements	0.05	(0.09)	0.23
Dividends paid	(2.50)	(2.50)	(5.00)
Net asset value	69.59	77.96	70.13

Total shareholder return to 30 September 2020	Ordinary shares (pence per share)
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Total dividends paid during the year ended :

31 March 1997	2.00
31 March 1998	5.20
31 March 1999	11.05
31 March 2000	3.00
31 March 2001	8.55
31 March 2002	7.60
31 March 2003	7.70
31 March 2004	8.20
31 March 2005	9.75
31 March 2006	11.75
31 March 2007	10.00
31 March 2008	10.00
31 March 2009	10.00
31 March 2010	5.00
31 March 2011	5.00
31 March 2012	5.00
31 March 2013	5.00
31 March 2014	5.00
31 March 2015	5.00
31 March 2016	5.00
31 March 2017	5.00
31 March 2018	5.00
31 March 2019	5.00
31 March 2020	5.00
Dividends paid in the six months to 30 September 2020	2.50

Total dividends paid to 30 September 2020	162.30
Net asset value as at 30 September 2020	69.59
Total shareholder return to 30 September 2020	231.89

The financial summary above is for the Company, Albion Venture Capital Trust PLC Ordinary shares only. Details of the financial performance of the C shares and Albion Prime VCT PLC, which have been merged into the Company, can be found on the Company's webpage at www.albioncapital/funds/AAVC under the 'Financial summary for previous funds' section.

In addition to the dividends summarised above, the Directors have declared a second dividend for the year ending 31 March 2021 of 1.74 pence per share, to be paid on 29 January 2021 to shareholders on the register on 8 January 2021.

Notes

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

Interim management report

Introduction

The evolving coronavirus (Covid-19) pandemic continues to disrupt our economy and has created challenges for our portfolio companies during the period. However, despite these exceptional times, the portfolio has proved largely resilient and we are pleased to report a total return of 1.91 pence per share for the Company for the six months to 30 September 2020, which represents a 2.7% return on opening net asset value per share.

Results and dividends

As at 30 September 2020, the net asset value of the Company was £70.1 million or 69.59 pence per share, having paid a first dividend of 2.50 pence per share on 31 July 2020, compared to £70.6 million or 70.13 pence per share at 31 March 2020.

The Board has declared a second dividend of 1.74 pence per share payable on 29 January 2021, to shareholders on the register on 8 January 2021. This is in line with the new variable dividend policy outlined in the Annual Report and Financial Statements of targeting an annual dividend yield of around 5%. The Company continues to offer a Dividend Reinvestment Scheme whereby shareholders can elect to receive dividends in the form of new shares.

Performance and portfolio update

At the Company's year end, the Board worked closely with the Manager to ensure that the effect of the coronavirus (Covid-19) pandemic on the valuation of the portfolio was reflected. Since then, the Board has been closely monitoring the ongoing disruption caused by the pandemic and its current and potential impact on portfolio companies.

The valuation of the Company's care homes, schools and renewable energy assets have proved particularly resilient, reflecting their important work during the coronavirus (Covid-19) pandemic and the attractiveness of the income they generate.

During the period, £1.8 million was invested into new and existing portfolio companies and an additional £1.5 million invested after the period end. The new investments, both

of which are likely to require further investment as the companies prove themselves and grow, are:

- The Voucher Market (trading as WeGift), which provides a cloud platform that enables corporates to purchase digital gift cards and to distribute them to employees and customers; and
- TransFICC, a provider of connectivity solutions, connecting financial institutions with trading venues via a single application programming interface.

There were no disposals during the six month period to 30 September 2020. However, shortly after the period end, our holding in Clear Review was sold, realising a profit of £409,000 and generating a return of 2.1 times cost. During our short investment period of less than two years, the Company scaled rapidly, becoming a leading provider of employee performance management and engagement software.

The Company's unrealised and realised gains amounted to £1.9 million for the six months to 30 September 2020. The key movements in the period include: a £0.9 million uplift in the valuation of Shinfield Lodge Care following a reduction in the discount applied to the third party valuation at 31 March 2020 to reflect the Covid-19 uncertainty at the year-end; and an uplift of £0.4 million in the valuation of Clear Review following its sale shortly after the period end.

Split of investment portfolio by sector as at 30 September 2020

Set out below is the sector split of the investment portfolio as at 30 September 2020. Healthcare, which is predominantly our care homes, continues to be our largest sector and accounted for 39 per cent. of the Company's net assets. Growth and technology continues to increase after the two new investments detailed above and now accounts for 13 per cent. of the portfolio as at 30 September 2020.

Interim management report continued

Albion VCTs Prospectus Top Up Offers

Details of the final allotment of shares under the Albion VCTs Prospectus Top Up Offers 2019/20 can be found in note 8. The Offer was fully subscribed and the Board elected not to exercise the over allotment facility, having raised £6 million.

The proceeds are continually being used to support our existing portfolio and to enable us to take advantage of new and exciting investment opportunities as they arise, and two of such are detailed above.

Transactions with the Manager

Details of the transactions that took place with the Manager during the period can be found in note 5. There are no other related party transactions or balances that require disclosure.

Outlook and prospects

The investment focus on growth and technology businesses provides the opportunity to continue to generate shareholder value over the medium to long term. It is therefore pleasing to have had our first successful exit of a software company shortly after the period end. Whilst the portfolio may be further impacted by the economic consequences of the current health crisis, a focus on areas such as software and healthcare provide a strong opportunity for future growth during these times.



Richard Glover
Chairman
3 December 2020

Comparatives for 31 March 2020 are shown in brackets
Source: Albion Capital Group LLP

Share buy-backs

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest, including the maintenance of sufficient resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. It is the Board's intention for such buy-backs to be in the region of a 5% discount to net asset value so far as market conditions and liquidity permit.

Risks and uncertainties

The wide reaching implications arising from the coronavirus (Covid-19) crisis represent the key risk facing the Company, including its impact on the UK and Global economies. There are also the potential implications of the UK's departure from the European Union which may adversely affect our underlying portfolio companies. The Manager is continually assessing the exposure to such risks for each portfolio company, and where possible appropriate actions are being implemented.

Other principal risks and uncertainties remain unchanged and are as detailed on pages 17 to 19 of the Annual Report and Financial Statements for the year ended 31 March 2020. The impact of the coronavirus (Covid-19) pandemic has created heightened uncertainty but has not changed the nature of these risks. The Board considers that the processes for mitigating these risks remain appropriate.

Responsibility statement

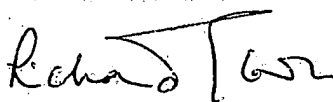
The Directors Richard Glover, John Kerr, Ann Berresford and Richard Wilson are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 2020 we, the Directors of the Company, confirm that to the best of our knowledge:

- (a) the condensed set of Financial Statements, which has been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting", give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as required by DTR 4.2.4R;
- (b) the Interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- (c) the Interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

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

For and on behalf of the Board



Richard Glover
Chairman
3 December 2020

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 September 2020			Change in value for the period** £'000
		Cost* £'000	Cumulative movement in value £'000	Value £'000	
Shinfield Lodge Care Limited	35.3	6,425	6,243	12,668	943
Active Lives Care Limited	22.2	4,810	2,824	7,634	(79)
Ryefield Court Care Limited	23.6	3,880	2,292	6,172	98
Chonals River Hydro Limited	9.2	3,074	1,168	4,242	(83)
Radnor House School (TopCo) Limited	6.9	1,259	888	2,147	91
Gharagain River Hydro Limited	11.5	1,363	403	1,766	24
Elliptic Enterprises Limited	1.6	1,244	–	1,244	–
The Street by Street Solar Programme Limited	6.5	675	564	1,239	25
G. Network Communications Limited	2.3	228	1,008	1,236	–
Cantab Research Limited (T/A Speechmatics)	2.8	1,144	–	1,144	–
Alto Prodotto Wind Limited	7.4	571	410	981	15
Concirus Limited	1.9	975	–	975	–
MHS1 Limited	14.8	1,026	(110)	916	(2)
The Evewell (Harley Street) Limited	6.0	863	–	863	150
Beddlestead Limited	9.1	1,142	(316)	826	(42)
Clear Review Limited	3.1	384	409	793	409
Regenerco Renewable Energy Limited	4.5	451	311	762	55
Avora Limited	4.2	750	–	750	–
The Voucher Market Limited (T/A WeGift)	2.0	735	–	735	–
Phrasee Limited	2.3	538	187	725	187
Credit Kudos Limited	2.7	584	–	584	–
uMotif Limited	2.1	486	35	521	97
Kew Green VCT (Stansted) Limited	45.2	1,234	(722)	512	(30)
Dragon Hydro Limited	7.3	277	179	456	21
Erin Solar Limited	18.6	520	(72)	448	–
AVESI Limited	7.4	242	110	352	7
Limitless Technology Limited	2.1	320	–	320	–
ePatient Network Limited (T/A Raremark)	2.3	264	51	315	–
Harvest AD Limited	–	307	6	313	–
TransFICC Limited	1.9	286	–	286	–
Greenenerco Limited	3.9	114	80	194	5
Arecor Limited	1.0	180	–	180	–
Premier Leisure (Suffolk) Limited	9.9	175	–	175	–
Healios Limited	0.6	175	–	175	–
Imandra Inc.	1.3	121	–	121	–
Symetrica Limited	0.3	83	(17)	66	18
Forward Clinical Limited (T/A Pando)	1.2	149	(100)	49	–
Total fixed asset investments		37,054	15,831	52,885	1,909

* The cost includes the original cost from Albion Venture Capital Trust PLC and the carried over value on merger from Albion Prime VCT PLC as at 25 September 2012.

** As adjusted for additions and disposals during the period.

Portfolio of investments continued

Fixed asset investment realisations during the period to 30 September 2020	Cost* £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain £'000	Gain on opening value £'000
<u>Loan stock repayments and other:</u>					
Alto Prodotto Wind Limited	19	25	25	6	—
Dragon Hydro Limited	12	12	12	—	—
Greenenerco Limited	3	5	5	2	—
Escrow adjustments** and other	—	—	60	60	60
Total realisations	34	42	102	68	60

* The cost includes the original cost from Albion Venture Capital Trust PLC and the carried over value on merger from Albion Prime VCT PLC as at 25 September 2012.

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

Total change in value of investments for the period	1,909
Movement in loan stock accrued interest	(71)
Unrealised gains sub-total	1,838
Realised gain in current period	60
Total gains on investments as per Income statement	1,898

Condensed income statement

		Unaudited six months ended 30 September 2020			Unaudited six months ended 30 September 2019			Audited year ended 31 March 2020		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	–	1,898	1,898	–	907	907	–	(4,925)	(4,925)
Investment income	4	884	–	884	1,563	–	1,563	2,858	–	2,858
Investment management fees	5	(167)	(501)	(668)	(168)	(504)	(672)	(340)	(1,020)	(1,360)
Other expenses		(180)	–	(180)	(194)	–	(194)	(375)	–	(375)
Profit/(loss) on ordinary activities before tax		537	1,397	1,934	1,201	403	1,604	2,143	(5,945)	(3,802)
Tax (charge)/credit on ordinary activities		(101)	95	(6)	(222)	96	(126)	(333)	194	(139)
Profit/(loss) and total comprehensive income attributable to shareholders		436	1,492	1,928	979	499	1,478	1,810	(5,751)	(3,941)
Basic and diluted return/(loss) per share (pence)*	7	0.43	1.48	1.91	1.03	0.52	1.55	1.88	(5.98)	(4.10)

* adjusted for treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2019 and the audited statutory accounts for the year ended 31 March 2020.

The accompanying notes on pages 14 to 19 form an integral part of this Half-yearly Financial Report.

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

Condensed balance sheet

	Note	Unaudited 30 September 2020 £'000	Unaudited 30 September 2019 £'000	Audited 31 March 2020 £'000
Fixed asset investments		52,885	57,685	49,243
Current assets				
Trade and other receivables less than one year		108	1,375	252
Cash and cash equivalents		17,898	15,792	21,782
		18,006	17,167	22,034
Total assets		70,891	74,852	71,277
Payables: amounts falling due within one year				
Trade and other payables		(810)	(812)	(649)
Total assets less current liabilities		70,081	74,040	70,628
Equity attributable to equityholders				
Called up share capital	8	1,162	1,075	1,148
Share premium		40,449	34,062	39,477
Capital redemption reserve		7	7	7
Unrealised capital reserve		15,008	21,741	13,178
Realised capital reserve		6,211	4,236	6,549
Other distributable reserve		7,244	12,919	10,269
Total equity shareholders' funds		70,081	74,040	70,628
Basic and diluted net asset value per share (pence)*		69.59	77.96	70.13

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2019 and the audited statutory accounts for the year ended 31 March 2020.

The accompanying notes on pages 14 to 19 form an integral part of this Half-yearly Financial Report.

These Financial Statements were approved by the Board of Directors and authorised for issue on 3 December 2020, and were signed on its behalf by

Richard Glover
Chairman

Company number: 03142609



Condensed statement of changes in equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
At 1 April 2020	1,148	39,477	7	13,178	6,549	10,269	70,628
Return/(loss) and total comprehensive income for the period	–	–	–	1,838	(346)	436	1,928
Transfer of previously unrealised gains on realisations of investments	–	–	–	(8)	8	–	–
Purchase of treasury shares	–	–	–	–	–	(931)	(931)
Issue of equity	14	1,004	–	–	–	–	1,018
Cost of issue of equity	–	(32)	–	–	–	–	(32)
Net dividends paid (note 6)	–	–	–	–	–	(2,530)	(2,530)
At 30 September 2020	1,162	40,449	7	15,008	6,211	7,244	70,081
At 1 April 2019	970	26,042	7	19,327	6,151	15,050	67,547
Return/(loss) and total comprehensive income for the period	–	–	–	946	(447)	979	1,478
Transfer of previously unrealised losses on realisations of investments	–	–	–	1,468	(1,468)	–	–
Purchase of treasury shares	–	–	–	–	–	(740)	(740)
Issue of equity	105	8,210	–	–	–	–	8,315
Cost of issue of equity	–	(190)	–	–	–	–	(190)
Net dividends paid	–	–	–	–	–	(2,370)	(2,370)
At 30 September 2019	1,075	34,062	7	21,741	4,236	12,919	74,040
At 1 April 2019	970	26,042	7	19,327	6,151	15,050	67,547
(Loss)/return and total comprehensive income for the year	–	–	–	(5,217)	(534)	1,810	(3,941)
Transfer of previously unrealised gains on realisations of investments	–	–	–	(932)	932	–	–
Purchase of treasury shares	–	–	–	–	–	(1,866)	(1,866)
Issue of equity	178	13,751	–	–	–	–	13,929
Cost of issue of equity	–	(316)	–	–	–	–	(316)
Net dividends paid	–	–	–	–	–	(4,725)	(4,725)
At 31 March 2020	1,148	39,477	7	13,178	6,549	10,269	70,628

* These reserves amount to £13,455,000 (30 September 2019: £17,155,000; 31 March 2020: £16,818,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Cash flow from operating activities			
Loan stock income received	793	1,654	2,810
Deposit interest received	13	40	87
Dividend income received	11	31	50
Investment management fees paid	(671)	(642)	(1,345)
Other cash payments	(220)	(211)	(360)
UK Corporation tax paid	–	–	(178)
Net cash flow from operating activities	(74)	872	1,064
Cash flow from investing activities			
Purchase of fixed asset investments	(1,775)	(2,873)	(4,650)
Disposal of fixed asset investments	264	6,526	12,129
Net cash flow from investing activities	(1,511)	3,653	7,479
Cash flow from financing activities			
Issue of share capital	668	7,823	13,019
Cost of issue of equity	(17)	(15)	(32)
Dividends paid*	(2,207)	(2,043)	(4,087)
Purchase of own shares (including costs)	(743)	(703)	(1,866)
Net cash flow from financing activities	(2,299)	5,062	7,034
(Decrease)/increase in cash and cash equivalents	(3,884)	9,587	15,577
Cash and cash equivalents at start of period	21,782	6,205	6,205
Cash and cash equivalents at end of period	17,898	15,792	21,782

* The equity dividend paid in the cash flow is different to the dividend disclosed in note 6 due to the non-cash effect of the Dividend Reinvestment Scheme.

Notes to the condensed Financial Statements

1. Basis of preparation

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

The preparation of the Financial Statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The most critical estimates and judgements relate to the determination of carrying value of investments at fair value through profit and loss ("FVTPL"). The Company values investments by following the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and further detail on the valuation techniques used are outlined in note 2 below.

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

Company information can be found on page 2.

2. Accounting policies

Fixed asset investments

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

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

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

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

- Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;
- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the IPEV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, cost or price of recent investment rounds, net assets and industry valuation benchmarks. Where price of recent investment is used as a starting point for estimating fair value at subsequent measurement dates, this has been benchmarked using an appropriate valuation technique permitted by the IPEV guidelines.
- In situations where cost or price of recent investment is used, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate a diminution include:
 - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
 - a significant adverse change either in the portfolio company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
 - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

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

Current assets and payables

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

Notes to the condensed Financial Statements continued

2. Accounting policies (continued)

Gains and losses on investments

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

Investment income

Equity income

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

Unquoted loan stock

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

Taxation

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

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

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

Reserves

Share premium

This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs.

Capital redemption reserve

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

Unrealised capital reserve

Increases and decreases in the valuation of investments held at the period end against cost are included in this reserve.

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders.

Other distributable reserve

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

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

Dividends

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

Segmental reporting

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

Notes to the condensed Financial Statements continued

3. Gains/(losses) on investments

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Unrealised gains/(losses) on fixed asset investments	1,838	946	(5,217)
Realised gains/(losses) on fixed asset investments	60	(39)	292
	<u>1,898</u>	<u>907</u>	<u>(4,925)</u>

4. Investment income

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Loan stock interest	863	1,492	2,719
Dividend income	11	31	50
Bank interest	10	40	89
	<u>884</u>	<u>1,563</u>	<u>2,858</u>

5. Investment management fees

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Investment management fee charged to revenue	167	168	340
Investment management fee charged to capital	501	504	1,020
	<u>668</u>	<u>672</u>	<u>1,360</u>

Further details of the Management agreement under which the investment management fee and any performance incentive fee are paid are given in the Strategic report on pages 13 and 14 of the Annual Report and Financial Statements for the year ended 31 March 2020.

During the period, services of a total value of £668,000 in management fees and £27,000 in administration fees (30 September 2019: £672,000 in management fees and £27,000 in administration fees; 31 March 2020: £1,360,000 in management fees and £53,000 in administration fees), were purchased by the Company from Albion Capital Group LLP. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services disclosed within payables was £347,000 (30 September 2019: £365,000; 31 March 2020: £349,000).

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period to 30 September 2020, fees of £79,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2019: £157,000; 31 March 2020: £232,000).

Albion Capital Group LLP, its partners and staff hold a total of 885,754 shares in the Company as at 30 September 2020.

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

Notes to the condensed Financial Statements continued

6. Dividends

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Dividend of 2.50p per share paid on 31 July 2019	–	2,382	2,382
Dividend of 2.50p per share paid on 31 January 2020	–	–	2,365
Dividend of 2.50p per share paid on 31 July 2020	2,541	–	–
Unclaimed dividends	(11)	(12)	(22)
	2,530	2,370	4,725

The Directors have declared a second dividend for the year ending 31 March 2021 of 1.74 pence per share (total approximately £1,752,000), payable on 29 January 2021 to shareholders on the register on 8 January 2021.

7. Basic and diluted return per share

	Unaudited six months ended 30 September 2020		Unaudited six months ended 30 September 2019		Audited year ended 31 March 2020	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return/(loss) attributable to equity shares (£'000)	436	1,492	979	499	1,810	(5,751)
Weighted average shares in issue (adjusted for treasury shares)	101,213,085		95,382,186		96,167,014	
Return/(loss) attributable per equity share (pence)	0.43	1.48	1.03	0.52	1.88	(5.98)

The weighted average number of shares is calculated after adjusting for treasury shares of 15,519,396 (30 September 2019: 12,525,188; 31 March 2020: 14,084,031).

There are no convertible instruments, derivatives or contingent share agreements in issue so basic and diluted return per share are the same.

8. Called up share capital

	Unaudited 30 September 2020	Unaudited 30 September 2019	Audited 31 March 2020
Allotted, called up and fully paid shares of 1 penny each			
Number of shares	116,220,062	107,499,248	114,789,539
Nominal value of allotted shares (£'000)	1,162	1,075	1,148
Voting rights (number of shares net of treasury shares)	100,700,666	94,974,060	100,705,508

During the period to 30 September 2020 the Company purchased 1,435,365 Ordinary shares (nominal value of £14,354) to be held in treasury (30 September 2019: 1,008,000; 31 March 2020: 2,566,843) at a cost of £931,000 (30 September 2019: £740,000; 31 March 2020: £1,866,000) representing 1.2 per cent. of the shares in issue as at 30 September 2020.

The total number of Ordinary shares held in treasury as at 30 September 2020 was 15,519,396 (30 September 2019: 12,525,188; 31 March 2020: 14,084,031) representing 13.4 per cent. of the share capital as at 30 September 2020.

Notes to the condensed Financial Statements continued

8. Called up share capital (continued)

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

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening-market price on allotment date (pence per share)
31 July 2020	494,534	5	67.63	318	65.00

Under the terms of the Albion VCTs Prospectus Top Up Offers 2019/20, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 September 2020:

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)
30 April 2020	193,917	2	72.50	138	63.50
30 April 2020	742,072	7	73.20	530	63.50
	935,989	9		668	

9. Commitments and contingencies

As at 30 September 2020, the Company had no financial commitments (30 September 2019 and 31 March 2020: £nil).

There are no contingencies or guarantees of the Company as at 30 September 2020 (30 September 2019 and 31 March 2020: £nil).

10. Post balance sheet events

Since 30 September 2020 the Company has had the following post balance sheet events:

- Proceeds of £793,000 received from the sale of Clear Review Limited on a cost of £384,000;
- Investment of £902,000 in a new portfolio company, Seldon Technologies Limited;
- Investment of £334,000 in a new portfolio company, uMedeor Limited (T/A uMed);
- Investment of £151,000 in an existing portfolio company, Limitless Technology Limited; and
- Investment of £69,000 in an existing portfolio company Arcor Limited.

11. Related party transactions

Other than transactions with the Manager as described in note 5, there are no other related party transactions.

Notes to the condensed Financial Statements continued

12. Going concern

The Board has conducted a detailed assessment of the Company's ability to meet its liabilities as they fall due. Cash flow forecasts are updated and discussed quarterly at Board level and have been stress tested to allow for the forecasted impact of Coronavirus (Covid-19). The Board have revisited and updated their assessment of liquidity risk and concluded that it remains unchanged since the last Annual Report and Financial Statements. Further details can be found on page 65 of those accounts.

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 cash and liquid 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.

13. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 434 of the Companies Act 2006 for the periods ended 30 September 2020 and 30 September 2019 and is unaudited. The information for the year ended 31 March 2020 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

14. Publication

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

Albion Venture Capital Trust PLC

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