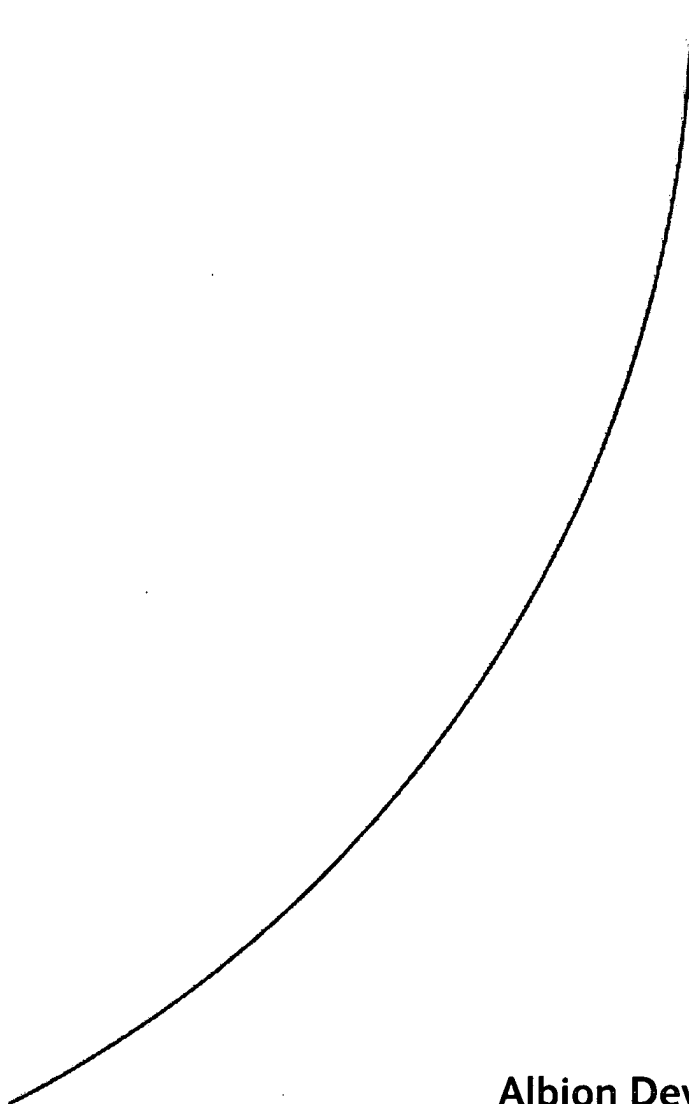




Albion Development VCT PLC

Half-yearly Financial Report (unaudited)
for the six months to 30 June 2023

AlbionCapital

2023

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COMPANY INFORMATION

Company name	Country of incorporation	Legal form
Albion Development VCT PLC (the "Company")	United Kingdom	Public Limited Company
Directors	Company number	Auditor
B Larkin (Chairman) L M Galeby Lord O'Shaughnessy P H Reeve	03654040	BDO LLP 55 Baker Street London, W1U 7EU
Manager, company secretary, AIFM and registered office	Registrar	Corporate broker
Albion Capital Group LLP 1 Benjamin Street London, EC1M 5QL	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol, BS99 6ZZ	Panmure Gordon (UK) Limited 40 Gracechurch Street London, EC3V 0BT
Taxation adviser	Legal adviser	Depository
Philip Hare & Associates LLP 6 Snow Hill London, EC1A 2AY	Howard Kennedy LLP 1 London Bridge London, SE1 9BG	Ocorian Depository (UK) Limited Level 5, 20 Fenchurch Street London, EC3M 3BY

Albion Development VCT PLC is a member of The Association of Investment Companies (www.theaic.co.uk).

Shareholder information	Financial adviser information
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 are recorded) Website: www.investorcentre.co.uk Shareholders can access holdings and valuation information regarding any of their shares held with Computershare by registering on Computershare's website. Shareholders can also contact the Chairman directly on: AADVchair@albion.capital	For enquiries relating to the performance of the Company and information for financial advisers, please contact the Business Development team at Albion Capital Group LLP: Email: info@albion.capital Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri; calls are recorded) Website: www.albion.capital

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

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INVESTMENT POLICY

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% 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% 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% of the adjusted share capital and reserves.

FINANCIAL CALENDAR

8 September 2023	Record date for second dividend
29 September 2023	Payment of second dividend
31 December	Financial year end

FINANCIAL SUMMARY

	Unaudited six months ended 30 June 2023 (pence per share)	Unaudited six months ended 30 June 2022 (pence per share)	Audited year ended 31 December 2022 (pence per share)
Ordinary shares			
Opening net asset value	88.65	94.98	94.98
Capital return/(loss)	4.89	0.69	(2.36)
Revenue return	0.26	0.26	0.49
Total return/(loss)	5.15	0.95	(1.87)
Dividends paid	(2.22)	(2.37)	(4.71)
Impact of share capital movements	0.17	(0.01)	0.25
Net asset value	91.75	93.55	88.65
 Total dividends paid to 30 June 2023			115.79
Net asset value as at 30 June 2023			91.75
Total shareholder value to 30 June 2023			207.54

The financial summary above is for the Company, Albion Development VCT PLC Ordinary shares only. Details of the financial performance of the C shares and D shares, which have been merged into the Ordinary shares, can be found at www.albion.capital/funds/AADV under the 'Financial summary for previous funds' section.

A more detailed breakdown of the dividends paid per year can be found at www.albion.capital/funds/AADV under the 'Dividend History' section.

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 December 2023, of 2.29 pence per Ordinary share to be paid on 29 September 2023 to shareholders on the register on 8 September 2023.

INTERIM MANAGEMENT REPORT

Introduction

In the six months to 30 June 2023, the Company generated a positive total return of 5.15 pence per share, representing a 5.8% return on opening net asset value ("NAV"). During the period, the Company continued to face a difficult macroeconomic and geopolitical backdrop, including persistent high levels of inflation, rising interest rates and volatility of quoted technology companies. Despite this, the Board is encouraged by the positive total return generated by the Company and optimistic that many of the portfolio companies will continue to grow.

Valuations and results

The total gain on investments for the period to 30 June 2023 was £7.7 million (30 June 2022: £1.9 million; 31 December 2022: loss of £0.6 million). The key movement to the total gain was Quantexa increasing its value by £10.0 million following an externally led \$129 million Series E fundraising, which completed in April 2023. The latest funding round made it the first "Unicorn" of 2023 (a private company valuation over \$1 billion) and the Board are excited about its future prospects.

Other gains in the period included Radnor House School and Ophelos, which resulted in a combined uplift of £0.9 million. These gains were partially offset by write downs with the most significant being in Black Swan Data which decreased by £1.7 million.

The NAV per share has increased to 91.75 pence per share (30 June 2022: 93.55 pence per share; 31 December 2022: 88.65 pence per share).

Our top 3 portfolio companies now account for 33.8% of the Company's NAV (30 June 2022: 26.6%; 31 December 2022: 27.6%). Further details of the portfolio of investments can be found on pages 12 and 13.

Dividends

In line with our variable dividend policy targeting 5% of NAV per annum, the Company paid a dividend of 2.22 pence per share during the period to 30 June 2023 (30 June 2022: 2.37 pence per share). The Company will pay a second dividend for the financial year ending 31 December 2023 of 2.29 pence per share on 29 September 2023 to shareholders on the register on 8 September 2023, being 2.5% of this 30 June 2023 NAV.

This will bring the total dividends paid for the year ending 31 December 2023 to 4.51 pence per share, which equates to a 5.1% yield on the opening NAV of 88.65 pence per share.

Investment activity

Given the economic uncertainty of high inflation and rising interest rates, in addition to the 15 new investments the Company made in 2022, the first half of 2023 has been more subdued in terms of new investment activity. During the period the Company has invested £0.6 million into existing portfolio companies to help support them as they continue to grow, including £0.4 million into Proveca and £0.1 million into Seldon Technologies.

Investment activity has started to increase after the period end, with £1.6 million invested into new and follow on investments since 30 June 2023.

Investment portfolio by sector

Cash and other net assets 25% (25%)
Healthcare (including digital healthcare) 19% (21%)
Renewable energy 7% (8%)
FinTech 25% (18%)
Software & technology 20% (24%)
Other (including Education) 4% (4%)

Comparatives for 31 December 2022 are shown in brackets

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. The Board's policy is 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% discount to net asset value, as far as market conditions and liquidity permit.

Risks and uncertainties

The Company faces a number of significant risks including rising interest rates, high levels of inflation, the ongoing impact of geopolitical tensions, and an expected period of economic stagnation, or even recession in the UK. The concentration risk to the technology sector, is noted as technology company valuations have become more volatile in the current economic climate. Overall investment risk is mitigated through a variety of processes. The Manager is continually assessing the exposure to these risks for each portfolio company and appropriate actions, where possible, are being implemented.

In accordance with the Disclosure Guidance and Transparency Rules ("DTR"), the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Financial Statements for the year ended 31 December 2022. There is heightened uncertainty, but this has not changed the nature of the principal risks. The Board considers that the present processes for mitigating those risks remain appropriate.

The principal risks faced by the Company are:

- Investment, performance, technology and valuation risk;
- VCT approval risk;
- Regulatory and compliance risk;
- Operation and internal control risk;
- Cyber and data security risk;
- Economic, political and social risk;
- Liquidity risk; and
- Environmental, social and governance ("ESG") risk.

A detailed analysis of the principal risks and uncertainties facing the business can be found in the Annual Report and Financial Statements for the year ended 31 December 2022 on pages 23 to 25, copies of which are available on the Company's webpage on the Manager's website at www.albion.capital/funds/AADV under the 'Financial Reports and Circulars' section.

Transactions with the Manager

Details of transactions with the Manager for the reporting period can be found in note 5. Details of related party transactions can be found in note 11.

Albion VCTs Top Up Offers

The 2022/23 Offers were fully subscribed and closed having raised £13 million for the Company. The Board was pleased to see the high level of demand for the Company's shares from existing and new shareholders.

The proceeds are being used to provide support to our existing portfolio companies and to enable us to take advantage of new investment opportunities as they arise. Details on the share allotments during the period can be found in note 8.

Shareholder seminar

The Board is pleased to report that the Manager, Albion Capital, is to host a physical shareholder seminar this year on 15 November 2023, at the Royal College of Surgeons, Lincoln's Inn Fields, London. The Board considers this an important interactive event and invites shareholders to attend. To reserve a place, please email info@albion.capital.

Move to electronic communications

The Board wishes to minimise the environmental impact of how the Company communicates with its shareholders. With this in mind, those shareholders that continue to receive physical copies of the Annual Report and other documentation, will receive a letter alongside this Half-yearly Financial Report explaining the forthcoming move to electronic communications.

Prospects

Although there remains many uncertainties facing the Company, with the high levels of inflation, elevated interest rates and geopolitical tensions, the results for the period demonstrate the resilience of our portfolio during these challenging times. The portfolio remains well diversified, with companies at different stages of maturity and across a variety of different sectors, many of which have minimal exposure to consumer expenditure. We remain confident that the Company will continue to provide positive results to its shareholders over the long-term.



Ben Larkin
Chairman
19 September 2023

PORTFOLIO OF INVESTMENTS

As at 30 June 2023

	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Fixed asset investments					
Quantexa	2.1	2,101	22,857	24,958	10,046
Egress Software Technologies	6.9	2,332	6,517	8,849	(174)
Proveca	11.8	2,244	5,957	8,201	165
Oviva	2.8	2,601	1,179	3,780	(375)
Radnor House School (TopCo)	8.5	1,560	1,943	3,503	484
The Ewell Group	5.8	1,407	1,454	2,861	21
Healios	3.3	1,977	522	2,499	-
Chonais River Hydro	4.6	1,705	714	2,419	86
The Street by Street Solar Programme	12.4	1,291	952	2,243	(132)
Convertr Media	6.2	992	913	1,905	(35)
Regenerco Renewable Energy	11.9	1,204	606	1,810	(176)
Threadneedle Software Holdings (T/A Solidatus)	2.0	1,209	488	1,697	(248)
Panaseer	3.1	1,122	532	1,654	(283)
Cantab Research (T/A Speechmatics)	1.6	1,337	235	1,572	(188)
Runa Network	1.9	1,259	285	1,544	-
Peppy Health	1.6	1,424	-	1,424	-
Toqio FinTech Holdings	1.9	1,369	-	1,369	-
Aridhia Informatics	5.8	1,129	88	1,217	(183)
Gravitee TopCo	2.2	923	236	1,159	-
TransFICC	1.8	891	196	1,087	-
InCrowd Sports	4.1	642	433	1,075	165
Alto Prodotto Wind	9.4	590	425	1,015	46
Seldon Technologies	2.9	1,002	-	1,002	-
Elliptic Enterprises	0.7	984	-	984	-
PeakData	2.1	922	54	976	(15)
Ophelos	2.0	527	441	968	441
Beddlestead	8.6	1,026	(121)	905	(38)
NuvoAir Holdings	1.4	570	234	804	(41)
GX Molecular (T/A CS Genetics)	2.5	741	-	741	-
Cislv	5.3	686	29	715	307
OutThink	2.4	610	-	610	-

Portfolio of Investments

As at 30 June 2023					
	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Fixed asset Investments					
Locum's Nest	5.6	663	(57)	606	(358)
Perchpeek	1.9	597	-	597	-
Accelelex Technology	2.0	361	195	556	195
Diffblue	2.2	509	-	509	-
The Q Garden Company	16.6	466	32	498	-
PetsApp	2.3	425	-	425	-
Koru Kids	1.8	573	(160)	413	(69)
AVESI	10.5	340	70	410	(44)
Imandra	1.8	236	112	348	(16)
Arecor Therapeutics PLC	0.5	190	157	347	(12)
SMins AI	1.9	340	-	340	-
Dragon Hydro	5.5	187	133	320	13
Brytlyt	2.0	416	(98)	318	(98)
Neurofenix	2.6	523	(296)	227	(296)
Ramp Software	1.8	267	-	267	-
uMedear (T/A uMed)	1.2	192	68	260	66
MHS 1	3.3	231	14	245	-
Tem Energy	1.6	212	-	212	-
Greenenerco	4.0	96	75	171	9
DySIS Medical	1.0	1,038	(869)	169	12
Regulatory Genome Development	0.8	125	42	167	42
Premier Leisure (Suffolk)	-	109	21	130	-
Erin Solar	4.3	120	3	123	-
Mirada Medical	2.7	909	(806)	103	-
Symetrica	0.3	102	(6)	96	12
Infact Systems	1.8	91	-	91	-
Black Swan Data	6.3	3,307	(3,257)	50	(1,660)
uMotif	3.1	941	(940)	1	(93)
Limitless Technology	2.4	648	(648)	-	(326)
Elements Software	0.6	3	(3)	-	-
Total fixed asset Investments		52,594	40,951	93,545	7,250

* As adjusted for additions and disposals during the year; including realised gains/(losses).

Portfolio of Investments

Investment realisations in the period to 30 June 2023	Cost £'000	Opening value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Disposals:					
Zift Channel Solutions	885	326	468	(417)	142
Arecor Therapeutics PLC	104	196	203	99	7
Oxsensis	439	10	11	(428)	1
Forward Clinical (T/A Pando)	219	-	-	(219)	-
Loan stock repayments and other:					
Alto Prodotto Wind	28	42	42	14	-
Greenenerco	4	6	6	2	-
Escrow adjustments*	-	-	74	74	74
Total	1,679	580	804	(875)	224

* These comprise fair value movements on deferred consideration on previously disposed investments

	£'000
Total change in value of Investments for the year	7,250
Movement in accrued loan stock interest	33
Unrealised gains on fixed asset Investments sub-total	7,283
Realised gains in the current period	224
Unwind of discount on deferred consideration	168
Total gains on Investments as per Income statement	7,675

RESPONSIBILITY STATEMENT

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 2023 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
19 September 2023

CONDENSED INCOME STATEMENT

		Unaudited six months ended 30 June 2023			Unaudited six months ended 30 June 2022			Audited year ended 31 December 2022		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on										
Investments	3	-	7,675	7,675	-	1,880	1,880	-	(636)	(636)
Investment income	4	684	-	684	591	-	591	1,194	-	1,194
Investment										
Manager's fees	5	(133)	(1,201)	(1,334)	(120)	(1,079)	(1,199)	(245)	(2,207)	(2,452)
Other expenses		(201)	-	(201)	(168)	-	(168)	(358)	-	(358)
Profit/(loss) on ordinary activities before tax		350	6,474	6,824	303	801	1,104	591	(2,843)	(2,252)
Tax charge on ordinary activities		-	-	-	-	-	-	-	-	-
Profit/(loss) and total comprehensive income attributable to shareholders		350	6,474	6,824	303	801	1,104	591	(2,843)	(2,252)
Basic and diluted return/(loss) per share (pence)*	7	0.26	4.89	5.15	0.26	0.69	0.95	0.49	(2.36)	(1.87)

* adjusted for treasury shares

The accompanying notes on pages 20 to 26 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 2022 and the audited statutory accounts for the year ended 31 December 2022.

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

		Unaudited 30 June 2023 £'000	Unaudited 30 June 2022 £'000	Audited 31 December 2022 £'000
	Note			
Fixed asset investments		93,545	80,152	86,286
Current assets				
Trade and other receivables		2,531	2,604	2,403
Cash in bank and at hand		29,273	33,776	26,491
		31,804	36,380	28,894
Payables: amounts falling due within one year				
Trade and other payables		(958)	(933)	(722)
Net current assets		30,846	35,447	28,172
Total assets less current liabilities		124,391	115,599	114,458
Equity attributable to equity holders				
Called-up share capital	8	1,536	1,388	1,456
Share premium		34,277	20,772	26,837
Unrealised capital reserve		40,897	33,434	32,516
Realised capital reserve		6,125	10,759	8,032
Other distributable reserve		41,556	49,246	45,617
Total equity shareholders' funds		124,391	115,599	114,458
Basic and diluted net asset value per share (pence)*		91.75	93.55	88.65

*excluding treasury shares

The accompanying notes on pages 20 to 26 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 2022 and the audited statutory accounts for the year ended 31 December 2022.

These Financial Statements were approved by the Board of Directors and authorised for issue on 19 September 2023, and were signed on its behalf by



Ben Larkin
Chairman
Company number: 03654040

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Called-up share capital	Share premium	Capital redemption reserve	Unrealised capital reserve	Realised capital reserve*	Other distributable reserve*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2023	1,456	26,837	-	32,516	8,032	45,617	114,458
Profit/(loss) and total comprehensive income for the period	-	-	-	7,283	(809)	350	6,824
Transfer of previously unrealised losses on disposal of investments	-	-	-	1,098	(1,098)	-	-
Purchase of shares for treasury	-	-	-	-	-	(1,399)	(1,399)
Issue of equity	80	7,639	-	-	-	-	7,719
Cost of issue of equity	-	(199)	-	-	-	-	(199)
Dividends paid	-	-	-	-	-	(3,012)	(3,012)
As at 30 June 2023	1,536	34,277	-	40,897	6,125	41,556	124,391
As at 1 January 2022	1,167	-	-	36,048	7,344	53,080	97,639
Profit/(loss) and total comprehensive income for the period	-	-	-	(885)	1,686	303	1,104
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,729)	1,729	-	-
Purchase of shares for treasury	-	-	-	-	-	(1,212)	(1,212)
Issue of equity	221	21,297	-	-	-	-	21,518
Cost of issue of equity	-	(525)	-	-	-	-	(525)
Dividends paid	-	-	-	-	-	(2,925)	(2,925)
As at 30 June 2022	1,388	20,772	-	33,434	10,759	49,246	115,599
As at 1 January 2022	1,167	-	-	36,048	7,344	53,080	97,639
Profit/(loss) and total comprehensive income for the year	-	-	-	(3,258)	415	591	(2,252)
Transfer of previously unrealised gains on disposal of investments	-	-	-	(273)	273	-	-
Purchase of shares for treasury	-	-	-	-	-	(2,244)	(2,244)
Issue of equity	288	27,509	-	-	-	-	27,797
Cost of issue of equity	-	(672)	-	-	-	-	(672)
Dividends paid	-	-	-	-	-	(5,810)	(5,810)
As at 31 December 2022	1,456	26,837	-	32,516	8,032	45,617	114,458

*Included within these reserves is an amount of £26,789,000 (30 June 2022: £31,131,000; 31 December 2022: £24,619,000) which is considered distributable. Over the next two years an additional £18,627,000 will become distributable. This is due to the HMRC requirement that the Company cannot use capital raised in the past three years to make a payment or distribution to shareholders.

CONDENSED STATEMENT OF CASH FLOWS

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Cash flow from operating activities			
Loan stock income received	452	586	996
Dividend income received	5	78	133
Income from fixed term funds received	95	9	59
Deposit interest received	131	9	47
Investment Manager's fees paid	(1,247)	(2,916)	(4,216)
Other cash payments	(220)	(213)	(338)
Corporation tax paid	-	-	-
Net cash flow generated from operating activities	(784)	(2,447)	(3,319)
Cash flow from investing activities			
Purchase of fixed asset investments	(589)	(5,136)	(14,235)
Disposal of fixed asset investments	887	7,265	7,946
Net cash flow generated from investing activities	298	2,129	(6,289)
Cash flow from financing activities			
Issue of share capital	7,043	20,491	26,132
Cost of issue of shares	(19)	-	(36)
Equity dividends paid*	(2,508)	(2,405)	(4,785)
Purchase of own shares (including costs)	(1,248)	(1,024)	(2,244)
Net cash flow generated from financing activities	3,268	17,062	19,067
Increase in cash in bank and at hand	2,782	16,744	9,459
Cash in bank and at hand at start of period	26,491	17,032	17,032
Cash in bank and at hand at end of period	29,273	33,776	26,491

*The equity dividends paid shown in the cash flow are different to the dividends disclosed in note 6 as a result of the non-cash effect of the Dividend Reinvestment Scheme.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The Financial Statements have been prepared in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 ("FRS 102"), 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") in accordance with FRS 102 sections 11 and 12. The Company values investments by following the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines as updated in 2022 and further detail on the valuation techniques used are outlined in note 2 below.

Company Information can be found on page 4.

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% 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, revenue 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,

Notes to the condensed Financial Statements

other valuation techniques are employed to conclude on the fair value as at the measurement 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.

Current assets and payables

Receivables (including debtors due after more than one year), payables and cash are carried at amortised cost, in accordance with FRS 102. Deferred consideration meets the definition of a financing transaction held at amortised cost, and interest will be recognised through capital over the credit period using the effective interest method. There are no financial liabilities other than payables.

Investment income

Dividend 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.

Fixed term funds income

Funds income is recognised on an accruals basis using the agreed rate of interest.

Bank deposit income

Interest income is recognised on an accruals basis using the rate of interest agreed with the bank.

Investment management fee, performance incentive fee and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the other distributable reserve except the following which are charged through the realised capital reserve:

- 90% of management fees and 100% of performance incentive fees, if any, are allocated to the realised capital reserve; 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.

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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

Called-up share capital

This accounts for the nominal value of the Company's shares.

Share premium

This accounts for the difference between the price paid for shares and the nominal value of those shares, less issue costs and transfers to the other distributable reserves.

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, or permanent diminutions in value (including gains recognised on the realisation of investment where consideration is deferred that are not distributable as a matter of law);
- finance income in respect of the unwinding of the discount on deferred consideration that is not distributable as a matter of law;
- 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 movements from the revenue column of the Income statement, the payment of dividends, the buy-back of shares, transfers from the share premium and capital redemption reserve, and other non-capital realised movements.

Dividends

Dividends by the Company are accounted for when the liability to make the payment (record date) has been established.

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

3. Gains/(losses) on investments

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Unrealised gains/(losses) on fixed asset investments	7,283	(885)	(3,258)
Realised gains on fixed asset investments	224	2,621	2,322
Unwinding of discount on deferred consideration	168	144	300
	7,675	1,880	(636)

4. Investment income

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Loan stock interest	420	474	916
Dividend income	37	100	172
Income from fixed term funds	95	9	59
Bank interest	132	8	47
	684	591	1,194

5. Investment Manager's fees

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
Investment management fee charged to revenue	133	120	245
Investment management fee charged to capital	1,201	1,079	2,207
	1,334	1,199	2,452

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid are given in the Strategic report on page 18 of the Annual Report and Financial Statements for the year ended 31 December 2022.

During the period, services to a total value of £1,344,000 (30 June 2022: £1,199,000; 31 December 2022: £2,452,000) were purchased by the Company from Albion Capital Group LLP ("Albion"). At the financial period end, the amount due to Albion in respect of these services was £690,000 (30 June 2022: £650,000; 31 December 2022: £618,000). The total annual running costs of the Company are capped at an amount equal to 2.5% 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 £10,000 as a result of this cap (30 June 2022: £nil; 31 December 2022: £41,000).

During the period, the Company was not charged by Albion in respect of Patrick Reeve's services as a Director (30 June 2022: £nil; 31 December 2022: £nil).

Albion, its Partners and staff (including Patrick Reeve) hold 1,158,636 Ordinary shares in the Company as at 30 June 2023.

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The Manager is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period ended 30 June 2023, fees of £65,000 attributable to the investments of the Company were paid pursuant to these arrangements (30 June 2022: £108,000; 31 December 2022: £257,000).

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

6. Dividends

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Audited year ended 31 December 2022 £'000
First dividend of 2.22p per share paid on 31 May 2023 (31 May 2022: 2.37p per share)	3,012	2,925	2,925
Second dividend of 2.34p per share paid on 30 September 2022	-	-	2,892
Unclaimed dividends	-	-	(7)
	3,012	2,925	5,810

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 December 2023 of 2.29 pence per share (total approximately £3,105,000), payable on 29 September 2023 to shareholders on the register on 8 September 2023.

7. Basic and diluted return/(loss) per share

	Unaudited six months ended 30 June 2023		Unaudited six months ended 30 June 2022		Audited year ended 31 December 2022	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return/(loss) attributable to Ordinary shares (£'000)	350	6,474	303	801	591	(2,843)
Weighted average shares in issue	132,550,358		115,738,554		120,150,815	
Return/(loss) per Ordinary share (pence)	0.26	4.89	0.26	0.69	0.49	(2.36)

The weighted average number of shares is calculated after adjusting for treasury shares of 18,036,957 (30 June 2022: 15,282,637; 31 December 2022: 16,468,548).

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

8. Called-up share capital

Allotted, called-up and fully paid Ordinary shares of 1 penny each	Unaudited 30 June 2023	Unaudited 30 June 2022	Audited 31 December 2022
Number of shares	153,611,717	138,850,411	145,582,300
Nominal value of allotted shares (£'000)	1,536	1,388	1,456
Voting rights (number of shares net of treasury shares)	135,574,760	123,567,774	129,113,752

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During the period to 30 June 2023 the Company purchased 1,568,409 Ordinary shares (nominal value £15,684) for treasury at a cost of £1,399,000. The total number of Ordinary shares held in treasury as at 30 June 2023 was 18,036,957 (30 June 2022: 15,282,637; 31 December 2022: 16,468,548) representing 11.7% of the Ordinary shares in Issue as at 30 June 2023.

Under the terms of the Dividend Reinvestment Scheme, the following new Ordinary shares of nominal value 1 penny each, were allotted during the period to 30 June 2023:

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 2023	536,739	5	92.70	478	88.50

Under the terms of the Albion VCTs Prospectus Top Up Offers 2022/23, the following new Ordinary shares, of nominal value 1 penny each, were allotted during the period to 30 June 2023:

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)
31 March 2023	7,134,319	71	96.40	6,706	89.50
14 April 2023	98,702	-	95.40	93	89.50
14 April 2023	26,068	-	95.90	24	89.50
14 April 2023	233,589	2	96.40	220	89.50
	7,492,678			7,043	

9. Commitments and contingencies

As at 30 June 2023, the Company had no financial commitments (30 June 2022: £nil; 31 December 2022: £nil).

There were no contingencies or guarantees of the Company as at 30 June 2023 (30 June 2022: £nil; 31 December 2022: £nil).

10. Post balance sheet events

There have been no material post balance sheet events since 30 June 2023.

11. Related party transactions

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

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 the current economic climate and increasingly volatile geopolitical backdrop. The Board have revisited and

Notes to the condensed Financial Statements

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 88 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 in September 2014, and the subsequent updated Going concern, risk and viability guidance issued by the FRC in 2021.

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 2023 and 30 June 2022 and is unaudited. The information for the year ended 31 December 2022, 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, where the Report can be accessed from the 'Financial Reports and Circulars' section.

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