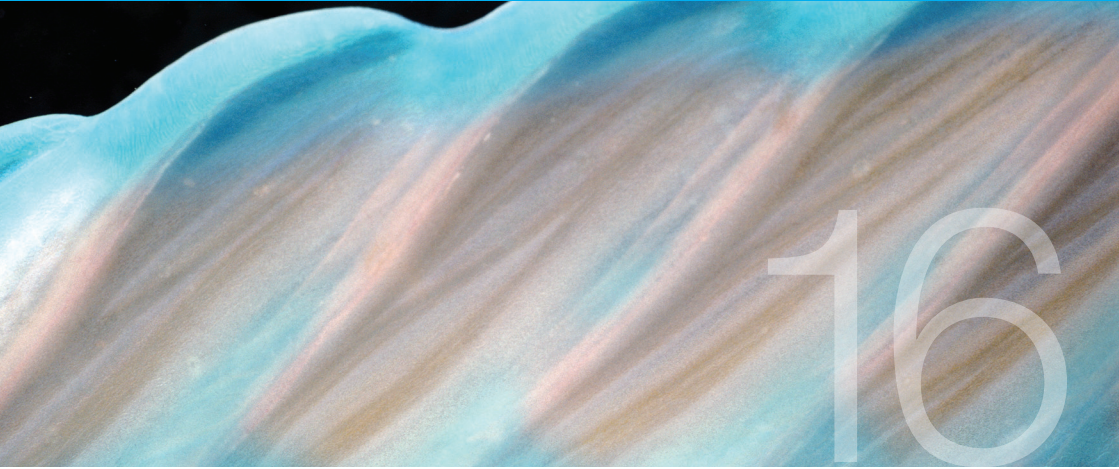


Half-yearly Financial Report  
(unaudited) for the six months to  
30 June 2016



## Albion Development VCT PLC

ALBION VENTURES



# Contents

## Page

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

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

# Company information

<b>Company number</b>	03654040
<b>Directors</b>	G O Vero FCA, Chairman A Phillippis PhD, MBA P H Reeve MA, ACA J G T Thornton MA, MBA, 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 Ventures LLP 1 King's Arms Yard London, EC2R 7AF
<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 15 Fetter Lane London, EC4A 1JP

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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**Shareholder enquiries** 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: [www.investorcentre.co.uk](http://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.

**Financial adviser enquiries** For enquiries relating to the performance of the Company and information for financial advisers please contact Albion Ventures LLP:  
Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded)  
Email: [info@albion-ventures.co.uk](mailto:info@albion-ventures.co.uk)  
Website: [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk)

**Please note that the above contacts are unable to provide financial or taxation advice.**

## Investment objective and policy

Albion Development VCT PLC's (the "Company's") investment policy is intended to provide investors with a regular and predictable source of dividend income combined with the prospects of long term capital growth. This is achieved by establishing a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risks normally associated with investment in such companies. It is intended that this will be achieved as follows:

- Through investment in a number of higher risk companies with greater growth prospects in sectors such as software and computer services, and medical technology.
- This is balanced by investment in more stable, often asset-backed investments that provide a strong income stream. These include asset-based businesses in the leisure, healthcare, education and renewable energy sectors, as well as stable and profitable businesses in other sectors. Such investments will constitute the majority of investments by cost.
- In neither category do portfolio companies normally have any external borrowings with a prior charge ranking ahead of the VCT.
- Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the portfolio company's assets.

## 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 on the basis of their respective audited net asset value per share at 31 December 2014, in line with the original prospectus.

An additional £20.0 million has been raised for the Ordinary shares through the Albion VCTs Top Up Offers since 2011. The funds raised will be invested in accordance with the Company's existing investment policy.

## Financial calendar

Record date for second dividend for the year	9 September 2016
Payment date for second dividend for the year	30 September 2016
Financial year end	31 December

# Financial highlights

	Unaudited six months ended 30 June 2016 (pence per share)	Unaudited six months ended 30 June 2015 (pence per share)	Audited year ended 31 December 2015 (pence per share)
<b>Ordinary shares</b>			
Dividends paid	2.5	2.5	5.0
Revenue return	0.6	0.8	1.5
Capital return	0.1	2.6	1.6
Net asset value	69.3	73.7	71.1

	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 2016</b>			
Total dividends paid during the period ended:			
31 December 1999(i)	1.0	–	–
31 December 2000	2.9	–	–
31 December 2001	3.9	–	–
31 December 2002	4.2	–	–
31 December 2003(iii)	4.5	0.7	–
31 December 2004	4.0	2.0	–
31 December 2005	5.2	5.9	–
31 December 2006	3.0	4.5	–
31 December 2007	5.0	5.3	–
31 December 2008	12.0	12.8	–
31 December 2009	4.0	4.3	–
31 December 2010	8.0	8.6	1.0
31 December 2011	5.0	5.4	2.5
31 December 2012	5.0	5.4	3.5
31 December 2013	5.0	5.4	5.0
31 December 2014	5.0	5.4	5.0
31 December 2015	5.0	5.4	7.5
30 June 2016	2.5	2.7	3.7
<b>Total dividends paid to 30 June 2016</b>	<b>85.3</b>	<b>73.8</b>	<b>28.2</b>
Net asset value as at 30 June 2016	69.3	74.3	103.8
<b>Total shareholder return to 30 June 2016</b>	<b>154.6</b>	<b>148.1</b>	<b>132.0</b>

The Directors have declared a second dividend of 2.5 pence per Ordinary share payable on 30 September 2016 to shareholders on the register as at 9 September 2016.

#### 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

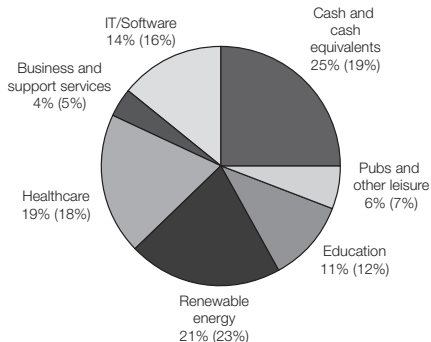
The results for Albion Development VCT PLC for the six months to 30 June 2016 showed a total return of 0.7 pence per share. Net asset value at 30 June 2016 was 69.3 pence per share, compared to 71.1 pence per share at 31 December 2015, reflecting the 2.5 pence per share dividend paid for the year to date.

## Performance

These muted results were driven principally by a harsher post-Brexit construction environment for Hilson Moran, slower commercial traction than hoped for at our cancer-screening business Abcodia and provisions against deferred consideration due on investments sold last year.

Elsewhere within the portfolio, however, there has been positive performance, with Exco Intouch (remote medical monitoring) moving strongly into profit, while Proveca (paediatric drugs) has now gained regulatory approval for its first medicine. Investments in two new companies have been made during the period, both of which should result in further investment as the companies prove themselves and grow. These are Black Swan Data, which provides corporate risk analysis and InCrowd Sports, which provides inter-active services for sporting events, where we are also backing the management behind our previous successful investment in Opta Sports Data.

## Investment portfolio by sector



Comparatives for 31 December 2015 are shown in brackets  
Source: Albion Ventures LLP

## Risks, uncertainties and prospects

The prospective exit of the UK from the EU has had an uncertain effect on consumer and business confidence, and it would be wise to prepare for a renewed economic slowdown in the UK. Meanwhile, global growth is muted and many countries are close to recession. Overall investment risk, however, is mitigated through a variety of processes, including our policies of ensuring that the Company has a first charge over portfolio companies' assets wherever possible and second of aiming to achieve balance in the portfolio through the inclusion of sectors that are less exposed to the business and consumer cycles.

Other principal risks and uncertainties remain unchanged and are as detailed on pages 12 and 13 of the Annual Report and Financial Statements for the year ended 31 December 2015.

## Discount management and 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 23 March 2016 that it had reached its £6m limit under the Albion VCTs Prospectus Top Up Offers 2015/2016 which was fully subscribed and closed.

The proceeds of the Offer are being used to provide further resources to the Company at a time when a number of attractive new investment opportunities are being seen.

# Interim management report (continued)

## Transactions with the Manager

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

## Results, dividend and prospects

As at 30 June 2016, the net asset value per Ordinary share was 69.3 pence (30 June 2015: 73.7 pence; 31 December 2015: 71.1 pence). Dividends are paid twice yearly, the next payment being 2.5 pence per share on 30 September 2016, to those shareholders on the register at 9 September 2016.

Overall, despite these unexciting interim results, the strength of many of our businesses, and their ability to exploit sectors which continue to show growth even in a tougher broader environment, gives us cause for optimism over the medium term.

## Geoffrey Vero

Chairman

31 August 2016



# Responsibility statement

The Directors, Geoffrey Vero, Andy Phillipps, Jonathan Thornton 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 2016 we, the Directors of the Company, confirm that to the best of our knowledge:

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

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

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

By order of the Board

**Geoffrey Vero**  
Chairman  
31 August 2016

# Portfolio of investments

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

Asset-backed investments	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Radnor House School (Holdings) Limited	8.8	2,948	1,804	4,752	(7)
Chonais River Hydro Limited	4.6	1,705	367	2,072	9
The Street by Street Solar Programme Limited	12.4	1,281	581	1,862	31
Regenerco Renewable Energy Limited	11.9	1,204	337	1,541	(23)
Alto Prodotto Wind Limited	9.4	842	454	1,296	56
Earnside Energy Limited	6.8	1,089	173	1,262	55
Bravo Inns II Limited	6.7	1,080	71	1,151	43
Albion Investment Properties Limited	48.4	929	(105)	824	14
The Weybridge Club Limited	9.4	1,601	(1,004)	597	(23)
The Q Garden Company Limited	16.6	713	(213)	500	25
AVESI Limited	10.5	340	77	417	(15)
Dragon Hydro Limited	5.5	233	114	347	4
The Charnwood Pub Company Limited	3.3	305	(74)	231	(4)
Greenenerco Limited	4.0	140	80	220	6
Bravo Inns Limited	2.6	267	(86)	181	(2)
Erin Solar Limited	4.3	120	(3)	117	–
Premier Leisure (Suffolk) Limited	6.2	109	(4)	105	–
Infinite Ventures (Goathill) Limited	0.8	32	2	34	2
<b>Total asset-backed investments</b>		<b>14,938</b>	<b>2,571</b>	<b>17,509</b>	<b>171</b>

## Portfolio of investments (continued)

	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
<b>Growth investments</b>					
Exco Intouch Limited	6.0	1,015	1,290	2,305	734
Proveca Limited	11.5	739	524	1,263	352
Mirada Medical Limited	7.8	553	468	1,021	(12)
Egress Software Technologies Limited	6.1	610	396	1,006	112
Blackbay Limited	7.4	836	156	992	(106)
Relayware Limited	3.0	895	(18)	877	(31)
Hilson Moran Holdings Limited	8.0	265	597	862	(177)
MyMeds&Me Limited	7.0	546	239	785	(65)
Grapeshot Limited	3.8	676	87	763	–
Aridhia Informatics Limited	6.0	963	(259)	704	9
OmPrompt Holdings Limited	5.1	650	19	669	4
Masters Pharmaceuticals Limited	4.2	316	308	624	(8)
Cisiv Limited	7.3	566	(2)	564	(114)
Abcodia Limited	5.1	471	(49)	422	(158)
DySIS Medical Limited	3.6	716	(315)	401	(78)
Process Systems Enterprise Limited	1.3	131	241	372	27
Black Swan Data Limited	0.7	215	–	215	–
Sandcroft Avenue Limited	1.7	150	14	164	–
memsstar Limited	2.8	124	39	163	(6)
Panaseer Limited	2.2	110	–	110	–
Oxsensis Limited	1.4	224	(125)	99	–
AMS Sciences Limited	4.2	222	(130)	92	(23)
Dickson Financial Services Limited	8.4	84	–	84	–
InCrowd Sports Limited	1.6	72	–	72	–
CSS Group Limited	2.7	34	(2)	32	5
Elements Software Limited	0.6	3	(3)	–	(3)
<b>Total growth investments</b>		<b>11,186</b>	<b>3,475</b>	<b>14,661</b>	<b>462</b>
<b>Total unquoted fixed asset investments</b>		<b>26,124</b>	<b>6,046</b>	<b>32,170</b>	<b>633</b>

## Portfolio of investments (continued)

Quoted investments	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Mi-Pay Group PLC	3.5	823	(499)	324	(59)
ComOps Limited	0.2	11	4	15	4
<b>Total quoted investments</b>		<b>834</b>	<b>(495)</b>	<b>339</b>	<b>(55)</b>

<b>Total fixed asset investments</b>	<b>26,958</b>	<b>5,551</b>	<b>32,509</b>	<b>578</b>
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<b>Total change in value of investments</b>	<b>578</b>
Movement in accrued loan stock interest	(85)
<b>Unrealised gains sub-total</b>	<b>493</b>
Realised gain in the current period	(169)
<b>Total gains on investments as per Income statement</b>	<b>324</b>

\*as adjusted for additions and disposals during the period

Investment realisations in the period to 30 June 2016	Cost £'000	Opening value £'000	Disposal proceeds £'000	Total realised (loss)/gain £'000	Loss on opening value £'000
Silent Herdsman Holdings Limited	389	350	348	(41)	(2)
Relayware Limited (loan stock repayment & equity part disposal)	256	256	256	-	-
Hilson Moran Holdings Limited (loan stock repayment)	27	37	37	10	-
The Street by Street Solar Programme Limited (loan stock repayment)	10	15	15	5	-
AVESI Limited (loan stock repayment)	1	1	1	-	-
Alto Prodotto Wind Limited (loan stock repayment)	1	1	1	-	-
Escrow adjustments	-	-	(167)	(167)	(167)
<b>Total</b>	<b>684</b>	<b>660</b>	<b>491</b>	<b>(193)</b>	<b>(169)</b>

# Condensed income statement

	Note	Unaudited six months ended 30 June 2016			Unaudited six months ended 30 June 2015			Audited year ended 31 December 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	324	324	–	1,550	1,550	–	1,367	1,367
Investment income	4	655	–	655	690	–	690	1,335	–	1,335
Investment management fees	5	(116)	(347)	(463)	(104)	(313)	(417)	(215)	(646)	(861)
Other expenses		(108)	–	(108)	(100)	–	(100)	(202)	–	(202)
<b>Return/(loss) on ordinary activities before tax</b>		<b>431</b>	<b>(23)</b>	<b>408</b>	486	1,237	1,723	918	721	1,639
Tax (charge)/credit on ordinary activities		(77)	69	(8)	(85)	62	(23)	(149)	129	(20)
<b>Return attributable to shareholders</b>		<b>354</b>	<b>46</b>	<b>400</b>	401	1,299	1,700	769	850	1,619
<b>Basic and diluted return per Ordinary share (pence)*</b>	7	<b>0.6</b>	<b>0.1</b>	<b>0.7</b>	0.8	2.6	3.4	1.5	1.6	3.1

\*excluding treasury shares

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

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

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

There is no other comprehensive income other than the results for the periods disclosed above. Accordingly a Statement of comprehensive income is not required.

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

# Condensed balance sheet

	Note	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
<b>Fixed assets</b>				
Investments		32,509	32,495	31,565
<b>Current assets</b>				
Trade and other receivables less than one year		348	674	685
Cash and cash equivalents		10,954	6,916	6,972
		<u>11,302</u>	<u>7,590</u>	<u>7,657</u>
<b>Total assets</b>		<b>43,811</b>	40,085	39,222
<b>Creditors: amounts falling due within one year</b>				
Trade and other payables less than one year		(404)	(317)	(322)
		<u>43,407</u>	<u>39,768</u>	<u>38,900</u>
<b>Net assets</b>				
<b>Equity attributable to equityholders</b>				
Called up share capital	8	685	588	600
Share premium		17,634	10,815	11,652
Capital redemption reserve		12	12	12
Unrealised capital reserve		5,400	3,297	4,883
Realised capital reserve		4,349	4,456	4,820
Other distributable reserve		15,327	20,600	16,933
		<u>43,407</u>	<u>39,768</u>	<u>38,900</u>
<b>Total equity shareholders' funds</b>				
		<u>43,407</u>	<u>39,768</u>	<u>38,900</u>
<b>Basic and diluted net asset value per Ordinary share (pence)*</b>		<b>69.3</b>	73.7	71.1

\*excluding treasury shares

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

The accompanying notes on pages 15 to 20 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 31 August 2016, and were signed on its behalf by

## Geoffrey Vero

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 2016</b>	600	11,652	12	4,883	4,820	16,933	38,900
Return/(loss) and total comprehensive income for the period	–	–	–	493	(447)	354	400
Transfer of previously unrealised losses on disposal of investments	–	–	–	24	(24)	–	–
Purchase of shares for treasury	–	–	–	–	–	(388)	(388)
Issue of equity	85	6,139	–	–	–	–	6,224
Cost of issue of equity	–	(157)	–	–	–	–	(157)
Dividends paid	–	–	–	–	–	(1,572)	(1,572)
<b>As at 30 June 2016</b>	<b>685</b>	<b>17,634</b>	<b>12</b>	<b>5,400</b>	<b>4,349</b>	<b>15,327</b>	<b>43,407</b>
<b>As at 1 January 2015</b>	482	5,560	12	1,954	4,500	21,927	34,435
Return/(loss) and total comprehensive income for the period	–	–	–	1,495	(196)	401	1,700
Transfer of previously unrealised gains on disposal of investments	–	–	–	(152)	152	–	–
Purchase of shares for treasury	–	–	–	–	–	(360)	(360)
Issue of equity	106	5,418	–	–	–	(33)	5,491
Cost of issue of equity	–	(163)	–	–	–	–	(163)
Dividends paid	–	–	–	–	–	(1,335)	(1,335)
<b>As at 30 June 2015</b>	<b>588</b>	<b>10,815</b>	<b>12</b>	<b>3,297</b>	<b>4,456</b>	<b>20,600</b>	<b>39,768</b>
<b>As at 1 January 2015</b>	482	5,560	12	1,954	4,500	21,927	34,435
Return/(loss) and total comprehensive income for the period	–	–	–	1,971	(1,121)	769	1,619
Transfer of unrealised losses on disposal of investments	–	–	–	958	(958)	–	–
Purchase of shares for treasury	–	–	–	–	–	(649)	(649)
Issue of equity	118	6,275	–	–	–	(33)	6,360
Cost of issue of equity	–	(183)	–	–	–	–	(183)
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	2,399	(2,399)	–
Dividends paid	–	–	–	–	–	(2,682)	(2,682)
<b>As at 31 December 2015</b>	<b>600</b>	<b>11,652</b>	<b>12</b>	<b>4,883</b>	<b>4,820</b>	<b>16,933</b>	<b>38,900</b>

\*Included within these reserves is an amount of £19,676,000 (30 June 2015: £25,056,000; 31 December 2015: £21,753,000) which is considered distributable.

# Condensed statement of cash flows

	<b>Unaudited six months ended 30 June 2016 £'000</b>	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
<b>Cash flow from operating activities</b>			
Loan stock income received	483	478	1,076
Deposit interest received	41	31	64
Dividend income received	45	61	82
Investment management fees paid	(438)	(387)	(835)
Other cash payments	(109)	(127)	(213)
Corporation tax received	18	–	–
<b>Net cash flow from operating activities</b>	<b>40</b>	56	174
<b>Cash flow from investing activities</b>			
Purchase of fixed asset investments	(1,025)	(2,371)	(3,995)
Disposal of fixed asset investments	813	1,521	3,302
<b>Net cash flow from investing activities</b>	<b>(212)</b>	(850)	(693)
<b>Cash flow from financing activities</b>			
Issue of share capital	5,820	4,578	5,807
Cost of issue of shares	–	(13)	(17)
Equity dividends paid	(1,320)	(1,151)	(2,295)
Purchase of own shares (including costs)	(346)	(349)	(649)
<b>Net cash flow from financing activities</b>	<b>4,154</b>	3,065	2,846
<b>Increase in cash and cash equivalents</b>	<b>3,982</b>	2,271	2,327
Cash and cash equivalents at start of period	6,972	4,645	4,645
<b>Cash and cash equivalents at end of period</b>	<b>10,954</b>	6,916	6,972
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand	10,954	6,916	6,972
Cash equivalents	–	–	–
<b>Total cash and cash equivalents</b>	<b>10,954</b>	6,916	6,972



# Notes to the condensed Financial Statements

## 1. Basis of preparation

The condensed Financial Statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 ("FRS 102"), Financial Reporting Standard 104 – Interim Financial Reporting ("FRS 104"), and with the 2014 Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by The Association of Investment Companies ("AIC").

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

The Half-Yearly report has not been audited, nor has it been reviewed by the auditor pursuant to the FRC's guidance on Review of interim financial information.

## 2. Accounting policies

### Fixed asset investments

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

In accordance with the requirements of FRS 102, 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 are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;
- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the IPEVCV Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, the level of third party offers received, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate a diminution include:
  - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
  - a significant adverse change either in the portfolio company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
  - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

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

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

# Notes to the condensed Financial Statements (continued)

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

## Investment income

### *Unquoted equity income*

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

### *Unquoted loan stock and other preferred income*

Fixed returns on non-equity shares and debt securities are recognised when the Company's right to receive payment and expect settlement is established. Where interest is rolled up and/or payable at redemption then it is recognised as income unless there is reasonable doubt as to its receipt.

### *Bank interest income*

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

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

## Performance incentive fee

In the event that a performance incentive fee crystallises or is provided for, the fee will be allocated between revenue and realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

## Taxation

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

Deferred tax is provided in full on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive

income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in 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 reserve*

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

### *Capital redemption reserve*

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

### *Unrealised capital reserve*

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

### *Realised capital reserve*

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, 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.

### *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.

# Notes to the condensed Financial Statements (continued)

## 3. Gains on investments

	<b>Unaudited six months ended 30 June 2016 £'000</b>	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Unrealised gains on fixed asset investments	493	1,495	1,971
Realised (losses)/gains on fixed asset investments	(169)	55	(604)
	<b>324</b>	1,550	1,367

## 4. Investment income

	<b>Unaudited six months ended 30 June 2016 £'000</b>	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
<b>Income recognised on investments</b>			
Loan stock interest	564	596	1,186
UK dividend income	45	61	82
Bank deposit interest	46	33	67
	<b>655</b>	690	1,335

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

## 5. Investment management fees

	<b>Unaudited six months ended 30 June 2016 £'000</b>	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Investment management fee charged to revenue	116	104	215
Investment management fee charged to capital	347	313	646
	<b>463</b>	417	861

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on page 10 of the Annual Report and Financial Statements for the year ended 31 December 2015.

During the period, services to a total value of £463,000 (30 June 2015: £417,000; 31 December 2015: £861,000) were purchased by the Company from Albion Ventures LLP. At the financial period end, the amount due to Albion Ventures LLP in respect of these services was £244,000 (30 June 2015: £224,000; 31 December 2015: £219,000).

During the period, the Company was not charged by Albion Ventures LLP in respect of Patrick Reeve's services as a Director (30 June 2015: £nil; 31 December 2015: £nil).

Albion Ventures LLP is, from time to time, eligible to receive transaction fees and Directors' fees from portfolio companies. During the period ended 30 June 2016, fees of £66,000 attributable to the investments of the Company were received pursuant to these arrangements (30 June 2015: £99,000; 31 December 2015: £179,000).

Albion Ventures LLP holds 23,624 Ordinary shares in the Company.

# Notes to the condensed Financial Statements (continued)

## 6. Dividends

	<b>Unaudited six months ended 30 June 2016 £'000</b>	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Dividend of 2.5p per Ordinary share paid on 29 May 2015	–	1,335	1,335
Dividend of 2.5p per Ordinary share paid on 30 September 2015	–	–	1,347
Dividend of 2.5p per Ordinary share paid on 31 May 2016	<b>1,572</b>	–	–
	<b>1,572</b>	1,335	2,682

The Directors have declared a dividend of 2.5 pence per Ordinary share (total approximately £1,567,000), payable on 30 September 2016 to shareholders on the register as at 9 September 2016.

## 7. Basic and diluted return per share

Ordinary shares	<b>Unaudited six months ended 30 June 2016</b>		Unaudited six months ended 30 June 2015		Audited year ended 31 December 2015	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return attributable to Ordinary shares (£'000)	<b>354</b>	<b>46</b>	401	1,299	769	850
Weighted average shares in issue	<b>60,228,830</b>		50,822,604		52,626,429	
Return per Ordinary share (pence)	<b>0.6</b>	<b>0.1</b>	0.8	2.6	1.5	1.6

The weighted average number of shares is calculated excluding treasury shares of 5,834,700 (30 June 2015: 4,835,700; 31 December 2015: 5,257,700).

There are no convertible instruments, derivatives or contingent share agreements in issue for Albion Development VCT PLC 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.

## 8. Ordinary share capital

	<b>Unaudited 30 June 2016</b>	Unaudited 30 June 2015	Audited 31 December 2015
Allotted, called up and fully paid shares of 1 penny each			
Number of shares	<b>68,502,563</b>	58,773,551	59,965,643
Nominal value of allotted shares (£'000)	<b>685</b>	588	600
Voting rights (number of shares net of treasury shares)	<b>62,667,863</b>	53,937,851	54,707,943

During the period to 30 June 2016 the Company purchased 577,000 Ordinary shares for treasury at a cost of £388,000. The total number of Ordinary shares held in treasury as at 30 June 2016 was 5,834,700 (30 June 2015: 4,835,700; 31 December 2015: 5,257,700) representing 8.5 per cent. of the Ordinary shares in issue as at 30 June 2016.

# Notes to the condensed Financial Statements (continued)

## 8. Ordinary share capital (continued)

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

Date of allotment	Number of shares issued	Aggregate nominal amount of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
31 May 2016	366,881	4	68.60	247	68.0

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

Date of allotment	Number of shares issued	Aggregate nominal amount of shares (£'000)	Issue price (pence per share)	Net consideration received (£'000)	Opening market price on allotment date (pence per share)
29 January 2016	2,807,295	28	72.8	2,003	68.3
29 January 2016	1,581,367	16	73.2	1,129	68.3
31 March 2016	3,604,114	36	73.3	2,562	68.0
6 April 2016	103,435	1	72.6	73	68.0
6 April 2016	12,554	–	73.0	9	68.0
6 April 2016	61,274	1	73.3	44	68.0
	<u>8,170,039</u>	<u>82</u>		<u>5,820</u>	

## 9. Commitments and contingencies

As at 30 June 2016, the Company had the following financial commitments in respect of investments:

- DySIS Medical Limited; £87,000
- Proveca Limited; £48,000

There are no contingencies or guarantees of the Company as at 30 June 2016 (30 June 2015; £nil; 31 December 2015: £nil).

## 10. Post balance sheet events

Since 30 June 2016, the Company has completed the following transactions:

- Investment of £330,000 in Secured by Design Limited;
- Investment of £159,000 in Oviva AG;
- Investment of £100,000 in Proveca Limited; and
- Investment of £87,000 in DySIS Medical Limited;

## 11. Related party transactions

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

# Notes to the condensed Financial Statements (continued)

## 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 2015 and is detailed on page 53 of those accounts. The Company has adequate cash and liquid resources. The portfolio of investments is diversified in terms of sector and the major cash outflows of the Company (namely investments, dividends and share buy-backs) are within the Company's control. Accordingly, after making diligent enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing this Half-yearly Financial Report and this is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014.

## 13. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 435 of the Companies Act 2006 for the periods ended 30 June 2016 and 30 June 2015 and is unaudited. The information for the year ended 31 December 2015, does not constitute statutory accounts within the terms of section 435 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which were unqualified and which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

## 14. Publication

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



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