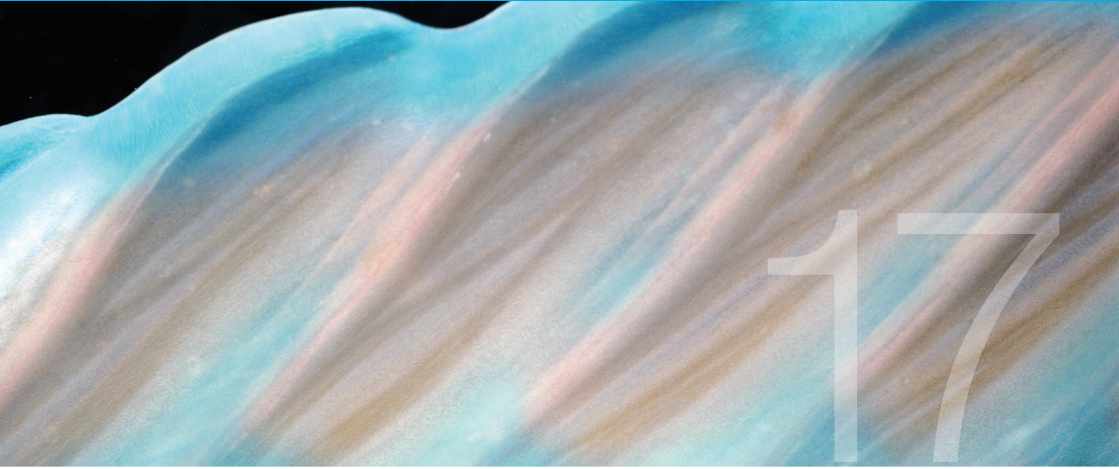


Half-yearly Financial Report  
(unaudited) for the six months to  
30 June 2017



## Albion Development VCT PLC

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**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 B Larkin LLB 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 Capital Group 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 Capital Group LLP:  
Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded)  
Email: [info@albion.capital](mailto:info@albion.capital)  
Website: [www.albion.capital](http://www.albion.capital)

**Please note that these 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. 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. Against this is a balanced portfolio of more stable investments that provide a strong income stream.
- In neither category do portfolio companies normally have any external borrowings with a prior charge ranking ahead of the Company.
- Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the portfolio company's assets.

In this way, 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 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.

Under its Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10% of its adjusted share capital and reserves.

## Background to the Company

The Company is a venture capital trust which raised a total of £33.3 million through the issue of shares between 1999 and 2004. The C shares merged with the Ordinary shares in 2007.

A further £6.3 million was raised through an issue of new D shares in 2009/2010. The D shares converted to Ordinary shares on 31 March 2015 on the basis of their respective audited net asset value per share at 31 December 2014, in line with the original prospectus. Accordingly, D shareholders received 1.4975 Ordinary shares for each D share they owned.

An additional £23.8 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	8 September 2017
Payment date for second dividend for the year	29 September 2017
Financial year end	31 December

# Financial highlights

	Unaudited six months ended 30 June 2017 (pence per share)	Unaudited six months ended 30 June 2016 (pence per share)	Audited year ended 31 December 2016 (pence per share)
<b>Ordinary shares</b>			
Dividends paid	2.0	2.5	5.0
Total return	2.7	0.7	4.7
Net asset value	71.3	69.3	70.7

	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 2017</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
31 December 2016	5.0	5.4	7.5
30 June 2017	2.0	2.1	3.0
<b>Total dividends paid to 30 June 2017</b>	<b>89.8</b>	<b>78.6</b>	<b>35.0</b>
Net asset value as at 30 June 2017	71.3	76.4	106.8
<b>Total shareholder return to 30 June 2017</b>	<b>161.1</b>	<b>155.0</b>	<b>141.8</b>

The Directors have declared a second dividend of 2.0 pence per Ordinary share payable on 29 September 2017 to shareholders on the register on 8 September 2017.

#### 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

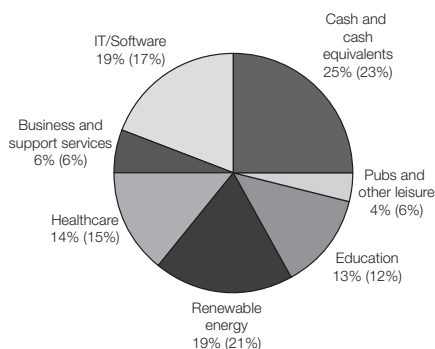
The results for Albion Development VCT PLC for the six months to 30 June 2017 showed a total return of 2.7 pence per share compared to a total return of 0.7 pence per share for the same period in the previous year. Net asset value at 30 June 2017 was 71.3 pence per share.

## Investment performance and progress

The results for the six months to 30 June 2017 were a sharp improvement on the interim period for 2016, mainly as a result of write-ups in Egress Software Technologies and Grapeshot. Both of these companies continue to show strong growth, with the latter now having moved into profitability.

£2.3 million was invested into new and existing portfolio companies, with new investments comprising £1 million into MPP Global Solutions (a cloud subscription platform), £315,000 into Quantexa (analytics for crime detection), £273,000 into G.Network Communications (fibre optic broadband services in central London), and £110,000 into Locum's Nest (digital access for NHS locum doctors). In addition, investment disposals included Masters Pharmaceuticals, AMS Sciences and Blackbay, while the business and assets of The Weybridge Club were also sold.

## Investment portfolio by sector



Comparatives for 31 December 2016 are shown in brackets  
Source: Albion Capital Group LLP

## Risks and uncertainties

The withdrawal of the UK from the European Union is having 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 some 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 2016.

## 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% 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 30 January 2017 that it had reached its £4m limit under the Albion VCTs Prospectus Top Up Offers 2016/2017 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)

The Company announced on 14 June 2017 that, subject to regulatory approval, it intends to launch a prospectus top up offer of new ordinary shares for subscription. Full details of the Offer will be contained in a prospectus that is expected to be published in early September 2017 and will be available on the Albion Capital website ([www.albion.capital](http://www.albion.capital)).

## Transactions with the Manager

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

## Board composition

After 18 years on the Board, Jonathan Thornton will be retiring at the start of November. I would like to thank him hugely for his contribution and counsel over many years. The Board's policy on the recruitment of new Directors is to attract a range of backgrounds, skills and experience. We expect to announce his replacement shortly.

## Results, dividend and prospects

As at 30 June 2017, the net asset value per Ordinary share was 71.3 pence (30 June 2016: 69.3 pence; 31 December 2016: 70.7 pence). In line with the revised dividend policy set out in the 31 December 2016 Annual Report and Financial Statements, the annual dividend target is now 4.0 pence per share. A first dividend of 2.0 pence per share was paid on 31 May 2017. The Directors have declared a second dividend of 2.0 pence per share payable on 29 September 2017, to shareholders on the register on 8 September 2017.

The Board is encouraged by the new investments being made and by the prospects in a number of portfolio companies. We look forward to the full year results with confidence.

## Geoffrey Vero

Chairman  
31 August 2017

# Responsibility statement

The Directors, Geoffrey Vero, Ben Larkin, 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 2017 we, the Directors of the Company, confirm that to the best of our knowledge:

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

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

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

By order of the Board

**Geoffrey Vero**  
Chairman  
31 August 2017



# Portfolio of investments

The following is a summary of investments as at 30 June 2017:

Asset-based 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	2,772	2,576	5,348	43
Chonais River Hydro Limited	4.6	1,705	360	2,065	3
The Street by Street Solar Programme Limited	12.4	1,291	720	2,011	90
Regenerco Renewable Energy Limited	11.9	1,204	470	1,674	14
Alto Prodotto Wind Limited	9.4	831	457	1,288	12
Earnside Energy Limited	6.8	1,089	174	1,263	(9)
Bravo Inns II Limited	6.7	1,080	179	1,259	50
Albion Investment Properties Limited	68.2	929	(75)	854	16
TWCL Limited (Previously The Weybridge Club Limited)	9.4	518	(18)	500	25
The Q Garden Company Limited	16.6	466	2	468	2
AVESI Limited	10.5	340	115	455	3
Dragon Hydro Limited	5.5	233	114	347	(5)
G.Network Communications Limited	6.1	273	–	273	–
MHS 1 Limited (Previously The Charnwood Pub Company Limited)	3.3	231	–	231	–
Greenenerco Limited	4.0	138	70	208	(8)
Bravo Inns Limited	2.6	267	(84)	183	(2)
Premier Leisure (Suffolk) Limited	6.2	109	15	124	(6)
Erin Solar Limited	4.3	120	(5)	115	(2)
Infinite Ventures (Goathill) Limited	0.8	32	5	37	2
Beddlestead Farm Limited	10.0	10	–	10	–
<b>Total asset-based investments</b>		<b>13,638</b>	<b>5,075</b>	<b>18,713</b>	<b>228</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>					
Egress Software Technologies Limited	6.1	610	1,794	2,404	648
Proveca Limited	11.8	1,084	1,252	2,336	50
Grapeshot Limited	3.9	806	876	1,682	637
Mirada Medical Limited	7.8	659	645	1,304	146
Hilson Moran Holdings Limited	8.0	231	996	1,227	142
MPP Global Solutions Limited	3.4	1,000	–	1,000	–
Relayware Limited	2.8	895	(10)	885	(7)
MyMeds&Me Limited	4.5	546	277	823	17
Aridhia Informatics Limited	6.0	976	(206)	770	109
Convertr Media Limited	6.3	583	–	583	–
OmPrompt Holdings Limited	7.3	682	(178)	504	(205)
DySIS Medical Limited	4.2	950	(502)	448	(62)
Process Systems Enterprise Limited	1.4	131	301	432	18
Black Swan Data Limited	1.2	370	–	370	–
Secured by Design Limited	2.2	330	–	330	(1)
Quantexa Limited	2.8	315	–	315	–
Panaseer Limited	2.8	248	64	312	65
Cisiv Limited	7.3	566	(275)	291	1
Abcodia Limited	4.7	604	(345)	259	–
Memsstar Limited	2.8	122	106	228	120
Oviva AG	2.1	159	–	159	(1)
Oxsensis Limited	1.4	224	(72)	152	54
Sandcroft Avenue Limited	1.7	150	(20)	130	–
Dickson Financial Services Limited	8.4	84	41	125	10
Locum's Nest Limited	2.4	110	–	110	–
InCrowd Sports Limited	1.6	72	–	72	–
CSS Group Limited	2.7	34	12	46	15
Elements Software Limited	0.6	3	(3)	–	–
<b>Total growth investments</b>		<b>12,544</b>	<b>4,753</b>	<b>17,297</b>	<b>1,756</b>
<b>Total unquoted fixed asset investments</b>		<b>26,182</b>	<b>9,828</b>	<b>36,010</b>	<b>1,984</b>

## Portfolio of investments (continued)

	% voting rights	Cost £'000	Cumulative movement in value in value £'000	Value £'000	Change in value for the period* £'000
<b>Quoted investments</b>					
Mi-Pay Group PLC	3.5	823	(646)	177	(118)
ComOps Limited	0.2	11	(3)	8	(1)
<b>Total quoted investments</b>		<b>834</b>	<b>(649)</b>	<b>185</b>	<b>(119)</b>

<b>Total fixed asset investments</b>	<b>27,016</b>	<b>9,179</b>	<b>36,195</b>	<b>1,865</b>
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\*as adjusted for additions and disposals during the period; including realised gains/(losses).

<b>Total change in value of investments for the period</b>	<b>1,865</b>
Movement in loan stock accrued interest	112
<b>Unrealised gains sub-total</b>	<b>1,977</b>
Realised gains in the current period	124
<b>Total gains on investments as per Income statement</b>	<b>2,101</b>

Realisations and loan stock repayments in the period to 30 June 2017	Cost £'000	Opening value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
<u>Disposals:</u>					
Blackbay Limited	836	1,006	1,164	328	158
Masters Pharmaceuticals Limited	316	519	524	208	5
AMS Sciences Limited	222	158	152	(70)	(6)
<u>Loan stock repayments:</u>					
Radnor House School (Holdings) Limited	88	88	88	–	–
Memsstar Limited	1	57	30	29	(27)
Alto Prodotto Wind Limited	9	14	14	5	–
Greenenerco Limited	1	2	2	1	–
<u>Escrow adjustments and other:</u>					
Escrow adjustments	–	–	(6)	(6)	(6)
TWCL Limited	183	–	–	(183)	–
<b>Total</b>	<b>1,656</b>	<b>1,844</b>	<b>1,968</b>	<b>312</b>	<b>124</b>

# Condensed income statement

		Unaudited six months ended 30 June 2017			Unaudited six months ended 30 June 2016			Audited year ended 31 December 2016		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	2,101	2,101	–	324	324	–	2,911	2,911
Investment income	4	344	–	344	655	–	655	1,114	–	1,114
Investment management fees	5	(130)	(390)	(520)	(116)	(347)	(463)	(239)	(717)	(956)
Other expenses		(118)	–	(118)	(108)	–	(108)	(210)	–	(210)
<b>Profit/(loss) on ordinary activities before tax</b>		<b>96</b>	<b>1,711</b>	<b>1,807</b>	431	(23)	408	665	2,194	2,859
Tax (charge)/credit on ordinary activities		(8)	8	–	(77)	69	(8)	(116)	119	3
<b>Profit and total comprehensive income attributable to shareholders</b>		<b>88</b>	<b>1,719</b>	<b>1,807</b>	354	46	400	549	2,313	2,862
<b>Basic and diluted return per share (pence)*</b>	7	<b>0.1</b>	<b>2.6</b>	<b>2.7</b>	0.6	0.1	0.7	0.9	3.8	4.7

\* excluding treasury shares

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

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

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

# Condensed balance sheet

	Note	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
<b>Fixed asset investments</b>		<b>36,195</b>	32,509	33,798
<b>Current assets</b>				
Trade and other receivables less than one year		304	348	441
Cash and cash equivalents		12,247	10,954	10,153
		<b>12,551</b>	11,302	10,594
<b>Total assets</b>		<b>48,746</b>	43,811	44,392
<b>Creditors: amounts falling due within one year</b>				
Trade and other payables less than one year		(440)	(404)	(307)
<b>Total assets less current liabilities</b>		<b>48,306</b>	43,407	44,085
<b>Equity attributable to equityholders</b>				
Called up share capital	8	748	685	689
Share premium		21,923	17,634	17,886
Capital redemption reserve		12	12	12
Unrealised capital reserve		9,042	5,400	7,253
Realised capital reserve		4,693	4,349	4,763
Other distributable reserve		11,888	15,327	13,482
<b>Total equity shareholders' funds</b>		<b>48,306</b>	43,407	44,085
<b>Basic and diluted net asset value per share (pence)*</b>		<b>71.3</b>	69.3	70.7

\*excluding treasury shares

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

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

These Financial Statements were approved by the Board of Directors and authorised for issue on 31 August 2017, 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 2017</b>	<b>689</b>	<b>17,886</b>	<b>12</b>	<b>7,253</b>	<b>4,763</b>	<b>13,482</b>	<b>44,085</b>
Profit/(loss) and total comprehensive income for the period	–	–	–	1,977	(258)	88	1,807
Transfer of previously unrealised gains on disposal of investments	–	–	–	(188)	188	–	–
Purchase of shares for treasury	–	–	–	–	–	(325)	(325)
Issue of equity	59	4,147	–	–	–	–	4,206
Cost of issue of equity	–	(110)	–	–	–	–	(110)
Dividends paid	–	–	–	–	–	(1,357)	(1,357)
<b>As at 30 June 2017</b>	<b>748</b>	<b>21,923</b>	<b>12</b>	<b>9,042</b>	<b>4,693</b>	<b>11,888</b>	<b>48,306</b>
<b>As at 1 January 2016</b>	600	11,652	12	4,883	4,820	16,933	38,900
Profit/(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 2016</b>	600	11,652	12	4,883	4,820	16,933	38,900
Profit and total comprehensive income for the period	–	–	–	1,690	623	549	2,862
Transfer of previously unrealised losses on disposal or write off of investments	–	–	–	680	(680)	–	–
Purchase of shares for treasury	–	–	–	–	–	(864)	(864)
Issue of equity	89	6,389	–	–	–	–	6,478
Cost of issue of equity	–	(155)	–	–	–	–	(155)
Dividends paid	–	–	–	–	–	(3,136)	(3,136)
<b>As at 31 December 2016</b>	<b>689</b>	<b>17,886</b>	<b>12</b>	<b>7,253</b>	<b>4,763</b>	<b>13,482</b>	<b>44,085</b>

\*These reserves amount to £16,581,000 (30 June 2016: £19,676,000; 31 December 2016: £18,245,000) which is considered distributable.

# Condensed statement of cash flows

	<b>Unaudited six months ended 30 June 2017 £'000</b>	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
<b>Cash flow from operating activities</b>			
Loan stock income received	364	483	767
Deposit interest received	4	41	96
Dividend income received	57	45	74
Investment management fees paid	(496)	(438)	(926)
Other cash payments	(131)	(109)	(217)
Corporation tax received/(paid)	3	18	(20)
<b>Net cash flow from operating activities</b>	<b>(199)</b>	40	(226)
<b>Cash flow from investing activities</b>			
Purchase of fixed asset investments	(2,344)	(1,025)	(2,715)
Disposal of fixed asset investments	2,107	813	3,797
<b>Net cash flow from investing activities</b>	<b>(237)</b>	(212)	1,082
<b>Cash flow from financing activities</b>			
Issue of share capital	3,882	5,820	5,820
Cost of issue of shares	(2)	–	–
Equity dividends paid	(1,142)	(1,320)	(2,631)
Purchase of own shares (including costs)	(208)	(346)	(864)
<b>Net cash flow from financing activities</b>	<b>2,530</b>	4,154	2,325
<b>Increase in cash and cash equivalents</b>	<b>2,094</b>	3,982	3,181
Cash and cash equivalents at start of period	10,153	6,972	6,972
<b>Cash and cash equivalents at end of period</b>	<b>12,247</b>	10,954	10,153
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand	12,247	10,954	10,153
Cash equivalents	–	–	–
<b>Total cash and cash equivalents</b>	<b>12,247</b>	10,954	10,153

# Notes to the condensed Financial Statements

## 1. Basis of accounting

The condensed Financial Statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 ("FRS 102"), Financial Reporting Standard 104 – Interim Financial Reporting ("FRS 104"), and with the 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 in note 2 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.

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, the 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 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.

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

#### *Equity income*

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



# Notes to the condensed Financial Statements (continued)

## 2. Accounting policies (continued)

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

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

### *Bank interest income*

Interest income is recognised on an 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% of management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments. This is in line with the Board's expectation that over the long term 75% 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 other distributable 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 (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 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 where paid out by capital.

#### *Other distributable reserve*

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

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

### **Dividends**

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

### **Segmental reporting**

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

# Notes to the condensed Financial Statements (continued)

## 3. Gains on investments

	<b>Unaudited six months ended 30 June 2017 £'000</b>	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
Unrealised gains on fixed asset investments	1,977	493	1,690
Realised gains/(losses) on fixed asset investments	124	(169)	1,221
	<b>2,101</b>	<b>324</b>	<b>2,911</b>

## 4. Investment income

	<b>Unaudited six months ended 30 June 2017 £'000</b>	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
<b>Income recognised on investments</b>			
Loan stock interest and other fixed returns	285	564	949
UK dividend income	57	45	74
Bank deposit interest	2	46	91
	<b>344</b>	<b>655</b>	<b>1,114</b>

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 2017 £'000</b>	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
Investment management fee charged to revenue	130	116	239
Investment management fee charged to capital	390	347	717
	<b>520</b>	<b>463</b>	<b>956</b>

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 2016.

During the period, services to a total value of £520,000 (30 June 2016: £463,000; 31 December 2016: £956,000) were purchased by the Company from Albion Capital Group LLP. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services was £272,000 (30 June 2016: £244,000; 31 December 2016: £248,000).

During the period, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (30 June 2016: £nil; 31 December 2016: £nil).

Albion Capital Group LLP is, from time to time, eligible to receive transaction fees and Directors' fees from portfolio companies. During the period ended 30 June 2017, fees of £101,000 attributable to the investments of the Company were paid pursuant to these arrangements (30 June 2016: £66,000; 31 December 2016: £150,000).

Albion Capital Group LLP holds 43,360 Ordinary shares in the Company.

# Notes to the condensed Financial Statements (continued)

## 6. Dividends

	<b>Unaudited six months ended 30 June 2017 £'000</b>	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
Dividend of 2.5p per Ordinary share paid on 31 May 2016	–	1,572	1,572
Dividend of 2.5p per Ordinary share paid on 30 September 2016	–	–	1,564
Dividend of 2.0p per Ordinary share paid on 31 May 2017	<b>1,357</b>	–	–
	<b>1,357</b>	1,572	3,136

The Directors have declared a dividend of 2.0 pence per Ordinary share (total approximately £1,355,000), payable on 29 September 2017 to shareholders on the register on 8 September 2017.

## 7. Basic and diluted return per share

	<b>Unaudited six months ended 30 June 2017</b>		Unaudited six months ended 30 June 2016		Audited year ended 31 December 2016	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
<b>Ordinary shares</b>						
Return attributable to Ordinary shares (£'000)	<b>88</b>	<b>1,719</b>	354	46	549	2,313
Weighted average shares in issue	<b>66,871,021</b>		60,228,830		61,380,295	
Return per Ordinary share (pence)	<b>0.1</b>	<b>2.6</b>	0.6	0.1	0.9	3.8

The weighted average number of shares is calculated excluding treasury shares of 7,039,700 (30 June 2016: 5,834,700; 31 December 2016: 6,556,700).

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

# Notes to the condensed Financial Statements (continued)

## 8. Ordinary share capital

	<b>Unaudited 30 June 2017</b>	Unaudited 30 June 2016	Audited 31 December 2016
<b>Allotted, called up and fully paid shares of 1 penny each</b>			
Number of shares	<b>74,804,925</b>	68,502,563	68,883,574
Nominal value of allotted shares (£'000)	<b>748</b>	685	689
Voting rights (number of shares net of treasury shares)	<b>67,765,225</b>	62,667,863	62,326,874

During the period to 30 June 2017 the Company purchased 483,000 Ordinary shares (nominal value of £4,830) for treasury at a cost of £325,000. The total number of Ordinary shares held in treasury as at 30 June 2017 was 7,039,700 (30 June 2016: 5,834,700; 31 December 2016: 6,556,700) representing 9.4% of the Ordinary shares in issue as at 30 June 2017.

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

Date of allotment	Number of shares issued	Aggregate nominal amount of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
31 May 2017	298,848	3	72.0	214	68.5

Under the terms of the Albion VCTs Prospectus Top Up Offers 2016/2017, the following new Ordinary shares, of nominal value 1 penny each, were allotted during the period to 30 June 2017:

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 January 2017	1,203,858	12	70.4	831	64.8
31 January 2017	621,281	6	70.7	428	64.8
31 January 2017	3,549,732	36	71.1	2,448	64.8
7 April 2017	20,981	–	72.2	15	67.5
7 April 2017	26,227	–	72.6	18	67.5
7 April 2017	200,424	2	72.9	142	67.5
	<u>5,622,503</u>	<u>56</u>		<u>3,882</u>	

## 9. Commitments and contingencies

As at 30 June 2017, the Company had the following financial commitments in respect of investments:

- Investment of £14,000 in Aridhia Informatics Limited.

There were no contingencies or guarantees of the Company as at 30 June 2017 (30 June 2016: £nil; 31 December 2016: £nil).

# Notes to the condensed Financial Statements (continued)

## 10. Post balance sheet events

Since 30 June 2017, the Company has completed the following transactions:

- Investment of £812,000 in Egress Software Technologies Limited;
- Investment of £273,000 in G.Network Communications Limited;
- Investment of £239,000 in Black Swan Data Limited;
- Investment of £45,000 in Abcodia Limited;
- Investment of £14,000 in Aridhia Informatics Limited; and
- Investment of £10,000 in Beddlestead Farm Limited.

## 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's assessment of liquidity risk remains unchanged since the last Annual Report and Financial Statements for the year ended 31 December 2016 and is detailed on page 52 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 2017 and 30 June 2016 and is unaudited. The information for the year ended 31 December 2016, does not constitute statutory accounts within the terms of section 435 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

## 14. Publication

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

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