

Albion Development VCT PLC



Half-yearly Financial Report
(unaudited) for the
six months to 30 June 2018



ALBION CAPITAL



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



Company information

Company number	03654040
Directors	G O Vero FCA, Chairman L M Goleby MA (Cantab) B Larkin LLB P H Reeve MA ACA
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Capital Group LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol, BS99 6ZZ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Taxation adviser	Philip Hare & Associates LLP 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP

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

Shareholder information For help relating to dividend payments, shareholdings and share certificates please contact Computershare Investor Services PLC:
Tel: 0370 873 5853 (UK national rate call, lines are open 8.30am – 5.30pm; Mon – Fri; calls may be recorded)
Website: www.investorcentre.co.uk

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

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
Website: www.albion.capital

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

Investment objective and 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 per cent. of its assets, at the time of investment, in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so).

Risk diversification and maximum exposures

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

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

Background to the Company

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

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

An additional £29.7 million has been raised for the Ordinary shares through the Albion VCTs Top Up Offers since 2011.

Financial calendar

Record date for second dividend for the year	14 September 2018
Payment date for second dividend for the year	28 September 2018
Financial year end	31 December

Financial highlights

	Unaudited six months ended 30 June 2018 (pence per share)	Unaudited six months ended 30 June 2017 (pence per share)	Audited year ended 31 December 2017 (pence per share)
Ordinary Shares			
Dividends paid	2.0	2.0	4.0
Total return	9.3	2.7	7.2
Net asset value	80.9	71.3	73.8

	Ordinary shares (pence per share) (ii)	C shares (pence per share) (ii)(iv)	D shares (pence per share) (ii)(v)
Total shareholder return to 30 June 2018			
Total dividends paid during the period ended:			
31 December 1999(i)	1.0	–	–
31 December 2000	2.9	–	–
31 December 2001	4.0	–	–
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
31 December 2017	4.0	4.3	6.0
30 June 2018	2.0	2.1	3.0
Total dividends paid to 30 June 2018	93.8	82.9	41.0
Net asset value as at 30 June 2018	80.9	86.7	121.1
Total shareholder return to 30 June 2018	174.7	169.6	162.1

The Directors have declared a second dividend for the year ending 31 December 2018 of 2.0 pence per Ordinary share payable on 28 September 2018 to shareholders on the register on 14 September 2018.

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

I am delighted to present the results for Albion Development VCT PLC for the six months to 30 June 2018, which show a positive total return of 9.3 pence per share (12.6% on opening net asset value) compared to 2.7 pence per share for the same period in the previous year.

Results

As at 30 June 2018, the net asset value per Ordinary share was 80.9 pence (30 June 2017: 71.3 pence; 31 December 2017: 73.8 pence). The uplift in net asset value is a result of gains on investments of £7.5 million during the period. Details of the changes in value of investments can be found in the portfolio of investments section on pages 8 to 10.

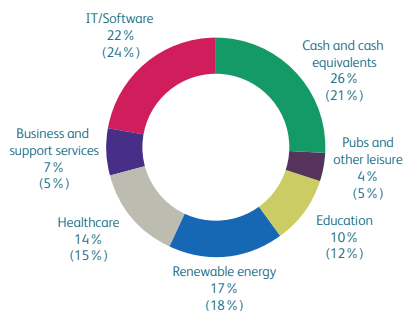
Investment performance and progress

The results for the six months to 30 June 2018 showed a particularly strong return. This was principally due to the sale of our investment in Grapeshot, at a total return of around ten times cost, and to a sharp write-up of our investment in Quantexa, following a new funding round in July, led by a third party investor, in which the Company participated.

£2.8 million was invested into new and existing portfolio companies, with new investments comprising £272,000 into Koru Kids (an online marketplace connecting parents and nannies), £200,000 into uMotif (which delivers mobile patient data solutions, primarily used in medical research and development) and £100,000 into Healios (provider of an online platform delivering family centric psychological care primarily to children and adolescents). Amongst existing portfolio companies, we contributed a further £899,000 to Sandcroft Avenue (PayasUGym.com), £309,000 to Panaseer, £239,000 to Black Swan Data, £180,000 to InCrowd Sports and £175,000 to Convertr Media.

The Board is pleased to announce that the total return for the former D shares is currently exceeding the targets set and accordingly a performance incentive fee of £256,000 has been accrued. The final amount of the fee will be dependent on year end results.

Current portfolio sector allocation



Comparatives for 31 December 2017 are shown in brackets
Source: Albion Capital Group LLP

Dividends

A first dividend of 2.0 pence per share was paid on 31 May 2018. The Directors have declared a second dividend of 2.0 pence per share payable on 28 September 2018, to shareholders on the register on 14 September 2018. This is in line with current annual dividend target of 4.0 pence per share. The Company continues to offer a Dividend Reinvestment Scheme whereby shareholders can elect to receive dividends in the form of new shares.

Risks and uncertainties

The uncertainty over the process and implications of the withdrawal of the UK from the European Union remains a risk, added to which is muted economic growth and rising interest rates. However, the Manager is clear in focusing efforts to allocate resources to those sectors and opportunities where growth can be both resilient and sustainable.

Other principal risks and uncertainties remain unchanged and are as detailed on pages 15 and 16 of the Annual Report and Financial Statements for the year ended 31 December 2017.

Interim management report continued

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 26 February 2018 that it had reached its £6 million limit under the Albion VCTs Prospectus Top Up Offers 2017/18 which was fully subscribed and closed.

The proceeds of the Offer are being deployed into new investments as mentioned above, and supporting further funding of existing portfolio companies to support growth.

Transactions with the Manager

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

Prospects

The Board remains highly encouraged by the performance of a number of companies within the investment portfolio and by the quality of the new investments being made. The Board will continue to keep the level of dividend under review, and in particular whether any increase would be sustainable for the longer term.

Geoffrey Vero

Chairman

4 September 2018

Responsibility statement

The Directors, Geoffrey Vero, Lyn Goleby, Ben Larkin 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 2018 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

Geoffrey Vero
Chairman
4 September 2018

Portfolio of investments

The following is a summary of fixed asset investments as at 30 June 2018:

Fixed asset investments	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Unquoted investments					
Radnor House School (Holdings) Limited	8.8	2,728	3,209	5,937	31
Egress Software Technologies Limited	7.6	1,422	1,794	3,216	–
Quantexa Limited	2.8	315	2,284	2,599	2,284
Chonais River Hydro Limited	4.6	1,705	667	2,372	262
Proveca Limited	11.4	1,084	1,223	2,307	(108)
The Street by Street Solar Programme Limited	12.4	1,291	866	2,157	92
Regenerco Renewable Energy Limited	11.9	1,204	641	1,845	31
Alto Prodotto Wind Limited	9.4	820	585	1,405	120
Bravo Inns II Limited	6.7	1,080	322	1,402	80
G.Network Communications Limited	9.1	850	532	1,382	532
Mirada Medical Limited	7.8	659	706	1,365	113
Earnside Energy Limited	6.8	1,089	182	1,271	6
Sandcroft Avenue Limited	6.6	1,191	47	1,238	33
Convertr Media Limited	6.3	875	260	1,135	309
MyMeds&Me Limited	9.9	939	148	1,087	(5)
Zift Channel Solutions Inc.	1.7	885	158	1,043	158
MPP Global Solutions Limited	3.4	1,000	–	1,000	–
Women's Health (London West One) Limited	7.5	933	–	933	–
Albion Investment Properties Limited	68.2	929	(77)	852	22
Beddlestead Limited	8.6	850	(1)	849	(1)
Black Swan Data Limited	1.8	848	–	848	–
Oviva AG	3.7	642	160	802	–
Panaseer Limited	3.2	557	214	771	66
OmPrompt Holdings Limited	9.5	864	(197)	667	(7)
DySIS Medical Limited	3.8	1,006	(511)	495	70
TWCL Limited	9.4	518	(27)	491	(12)
AVESI Limited	10.5	340	145	485	(2)
The Q Garden Company Limited	16.6	466	–	466	–
Secured by Design Limited	2.2	330	103	433	103
Process Systems Enterprise Limited	1.3	131	295	426	4
Aridhia Informatics Limited	6.0	1,053	(673)	380	(144)
Dragon Hydro Limited	5.5	233	143	376	27
Cisiv Limited	7.3	566	(273)	293	1
Abcodia Limited	4.7	809	(523)	286	(140)
InCrowd Sports Limited	2.9	252	24	276	24
Koru Kids Limited	2.2	272	–	272	–
MHS 1 Limited	3.3	231	–	231	–
Greenenerco Limited	4.0	134	91	225	22
uMotif Limited	1.2	200	–	200	–
memsstar Limited	2.8	103	89	192	(33)
Bravo Inns Limited	2.6	267	(92)	175	(13)
Locum's Nest Limited	2.4	110	33	143	33
Oxsensis Limited	1.3	238	(96)	142	–

Portfolio of investments continued

	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Fixed asset investments					
Innovation Broking Group Limited	8.4	84	45	129	2
Premier Leisure (Suffolk) Limited	6.2	109	13	122	(3)
Erin Solar Limited	4.3	120	(5)	115	–
Healios Limited	1.0	100	–	100	–
Infinite Ventures (Goathill) Limited	0.8	32	14	46	4
CSS Group Limited	2.7	34	(27)	7	(35)
Elements Software Limited	0.6	3	(3)	–	–
Total unquoted investments		32,501	12,488	44,989	3,926
Quoted investments					
Mi-Pay Group PLC		823	(683)	140	(37)
ComOps Limited		11	(2)	9	4
Total quoted investments		834	(685)	149	(33)
Total fixed asset investments		33,335	11,803	45,138	3,893

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

Total change in value of investments for the period	3,893
Movement in loan stock accrued interest	49
Unrealised gains on fixed asset investments sub-total	3,942
Unrealised losses on current asset investments	(1)
Realised gains in the current period	3,587
Total gains on investments as per Income statement	7,528

Portfolio of investments continued

	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period £'000
Current asset investments				
SVS Albion OLIM UK Equity Income Fund	200	(1)	199	(1)
Total current asset investments	200	(1)	199	(1)

	Cost £'000	Opening value £'000	Disposal proceeds £'000	Total realised gain £'000	Gain on opening value £'000
Investment realisations in the period to 30 June 2018					
<u>Disposals:</u>					
Grapeshot Limited	806	3,823	7,398	6,592	3,575
<u>Loan stock repayments/restructurings:</u>					
MyMeds&Me Limited	400	540	540	140	–
OmPrompt (Holdings) Limited	182	182	182	–	–
Beddlestead Limited	176	176	176	–	–
Radnor House School (Holdings) Limited	44	44	44	–	–
Alto Prodotto Wind Limited	9	14	14	5	–
memsstar Limited	5	5	5	–	–
Greenenerco Limited	3	4	4	1	–
<u>Escrow adjustments and other:</u>					
Escrow adjustments	–	–	12	12	12
Total	1,625	4,788	8,375	6,750	3,587

Condensed income statement

	Note	Unaudited six months ended 30 June 2018			Unaudited six months ended 30 June 2017			Audited year ended 31 December 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	7,528	7,528	–	2,101	2,101	–	5,514	5,514
Investment income	4	375	–	375	344	–	344	689	–	689
Investment management fee	5	(160)	(482)	(642)	(130)	(390)	(520)	(273)	(818)	(1,091)
Performance incentive fee	5	(64)	(192)	(256)	–	–	–	–	–	–
Other expenses		(117)	–	(117)	(118)	–	(118)	(221)	–	(221)
Profit on ordinary activities before tax		34	6,854	6,888	96	1,711	1,807	195	4,696	4,891
Tax (charge)/credit on ordinary activities		–	–	–	(8)	8	–	(24)	24	–
Profit and total comprehensive income attributable to shareholders		34	6,854	6,888	88	1,719	1,807	171	4,720	4,891
Basic and diluted return per share (pence)*	7	0.1	9.2	9.3	0.1	2.6	2.7	0.2	7.0	7.2

* 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 2017 and the audited statutory accounts for the year ended 31 December 2017.

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 2018 £'000	Unaudited 30 June 2017 £'000	Audited 31 December 2017 £'000
Fixed asset investments	45,138	36,195	42,291
Current assets			
Current asset investments	199	–	–
Trade and other receivables less than one year	979	304	477
Cash and cash equivalents	15,220	12,247	10,955
	16,398	12,551	11,432
Total assets	61,536	48,746	53,723
Payables: amounts falling due within one year			
Trade and other payables less than one year	(733)	(440)	(377)
Total assets less current liabilities	60,803	48,306	53,346
Equity attributable to equityholders			
Called up share capital	8	835	748
Share premium		28,161	21,923
Capital redemption reserve		12	12
Unrealised capital reserve		11,669	9,042
Realised capital reserve		11,921	4,693
Other distributable reserve		8,205	11,888
Total equity shareholders' funds		60,803	48,306
Basic and diluted net asset value per share (pence)*		80.9	71.3
			73.8

*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 2017 and the audited statutory accounts for the year ended 31 December 2017.

These Financial Statements were approved by the Board of Directors and authorised for issue on 4 September 2018, 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
As at 1 January 2018	801	25,704	12	10,892	5,844	10,093	53,346
Profit and total comprehensive income for the period	-	-	-	3,941	2,913	34	6,888
Transfer of previously unrealised gains on disposal of investments	-	-	-	(3,164)	3,164	-	-
Purchase of shares for treasury	-	-	-	-	-	(417)	(417)
Issue of equity	34	2,515	-	-	-	-	2,549
Cost of issue of equity	-	(58)	-	-	-	-	(58)
Dividends paid	-	-	-	-	-	(1,505)	(1,505)
As at 30 June 2018	835	28,161	12	11,669	11,921	8,205	60,803
As at 1 January 2017	689	17,886	12	7,253	4,763	13,482	44,085
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)
As at 30 June 2017	748	21,923	12	9,042	4,693	11,888	48,306
As at 1 January 2017	689	17,886	12	7,253	4,763	13,482	44,085
Profit and total comprehensive income for the period	-	-	-	4,691	29	171	4,891
Transfer of previously unrealised gains on disposal or write off of investments	-	-	-	(1,052)	1,052	-	-
Purchase of shares for treasury	-	-	-	-	-	(855)	(855)
Issue of equity	112	8,005	-	-	-	-	8,117
Cost of issue of equity	-	(187)	-	-	-	-	(187)
Dividends paid	-	-	-	-	-	(2,705)	(2,705)
As at 31 December 2017	801	25,704	12	10,892	5,844	10,093	53,346

*These reserves amount to £20,126,000 (30 June 2017: £16,581,000; 31 December 2017: £15,937,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited year ended 31 December 2017 £'000
Cash flow from operating activities			
Loan stock income received	357	364	647
Deposit interest received	15	4	7
Dividend income received	32	57	72
Investment management fee paid	(600)	(496)	(1,039)
Other cash payments	(135)	(131)	(217)
Corporation tax received	–	3	3
Net cash flow from operating activities	(331)	(199)	(527)
Cash flow from investing activities			
Purchase of current asset investments	(200)	–	–
Purchase of fixed asset investments	(2,825)	(2,344)	(6,787)
Disposal of fixed asset investments	6,965	2,107	3,746
Net cash flow from investing activities	3,940	(237)	(3,041)
Cash flow from financing activities			
Issue of share capital	2,244	3,882	7,503
Cost of issue of shares	(1)	(2)	(3)
Equity dividends paid	(1,257)	(1,142)	(2,275)
Purchase of own shares (including costs)	(330)	(208)	(855)
Net cash flow from financing activities	656	2,530	4,370
Increase in cash and cash equivalents	4,265	2,094	802
Cash and cash equivalents at start of period	10,955	10,153	10,153
Cash and cash equivalents at end of period	15,220	12,247	10,955
Cash and cash equivalents comprise:			
Cash at bank and in hand	15,220	12,247	10,955
Cash equivalents	–	–	–
Total cash and cash equivalents	15,220	12,247	10,955

Notes to the condensed Financial Statements

1. Basis of accounting

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

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

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

Company information can be found on page 2.

2. Accounting policies

Fixed and current asset investments

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

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

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

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

- Investments listed on recognised exchanges, including liquid open-ended equity funds, are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations;
- Unquoted investments, where there is not an active market, are valued using an appropriate valuation technique in accordance with the 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, creditors and cash are carried at amortised cost, in accordance with FRS 102. There are no financial liabilities other than creditors.

Notes to the condensed Financial Statements continued

2. Accounting policies (continued)

Investment income

Equity income

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

Unquoted loan stock 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, performance incentive fees and expenses

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

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

Taxation

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

Deferred tax is provided in full on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. As a VCT the Company has an exemption from tax on capital gains. The Company intends to continue meeting the conditions required to obtain approval as a VCT in the foreseeable future. The Company therefore, should have no material deferred tax timing differences arising in respect of the revaluation or disposal of investments and the Company has not provided for any deferred tax.

Reserves

Share premium

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

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments, or permanent diminutions in value;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders where paid out by capital.

Other distributable reserve

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

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

Dividends

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

Segmental reporting

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

Notes to the condensed Financial Statements continued

3. Gains on investments

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited year ended 31 December 2017 £'000
Unrealised gains on fixed asset investments	3,942	1,977	4,691
Unrealised losses on current asset investments	(1)	–	–
Realised gains on fixed asset investments	3,587	124	823
	7,528	2,101	5,514

4. Investment income

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited year ended 31 December 2017 £'000
Loan stock interest and other fixed returns	328	285	611
UK dividend income	32	57	72
Bank deposit interest	15	2	6
	375	344	689

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

5. Investment management fee and performance incentive fee

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited year ended 31 December 2017 £'000
Investment management fee charged to revenue	160	130	273
Investment management fee charged to capital	482	390	818
Performance incentive fee charged to revenue	64	–	–
Performance incentive fee charged to capital	192	–	–
	898	520	1,091

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid is given in the Strategic report on page 14 of the Annual Report and Financial Statements for the year ended 31 December 2017.

During the period, services to a total value of £642,000 (30 June 2017: £520,000; 31 December 2017: £1,091,000) 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 £342,000 (30 June 2017: £272,000; 31 December 2017: £300,000). For the period to 30 June 2018, a provisional performance incentive fee of £256,000 has been accrued, however any performance incentive fee is only payable on year end results (30 June 2017: £nil; 31 December 2017: £nil).

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 2017: £nil; 31 December 2017: £nil).

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period ended 30 June 2018, fees of £110,000 attributable to the investments of the Company were paid pursuant to these arrangements (30 June 2017: £101,000; 31 December 2017: £222,000).

Notes to the condensed Financial Statements continued

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

Albion Capital Group LLP, its Partners and staff (including Patrick Reeve) hold 494,259 Ordinary shares in the Company.

Additionally, following approval at the 2018 Annual General Meeting of the investment policy which permitted investment of working capital in open-ended funds to obtain equity returns, an amount of £200,000 (30 June 2017: £nil; 31 December 2017: £nil) was invested in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") as part of the Company's management of surplus liquid funds. To avoid double charging, Albion agreed to reduce its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM. This will result in a reduction of the management fee during the remainder of the year.

6. Dividends

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited year ended 31 December 2017 £'000
Dividend of 2.0p per Ordinary share paid on 31 May 2017	–	1,357	1,357
Dividend of 2.0p per Ordinary share paid on 29 September 2017	–	–	1,355
Dividend of 2.0p per Ordinary share paid on 31 May 2018	1,505	–	–
Unclaimed dividends	–	–	(7)
	1,505	1,357	2,705

The Directors have declared a second dividend for the year ending 31 December 2018 of 2.0 pence per Ordinary share (total approximately £1,503,000), payable on 28 September 2018 to shareholders on the register on 14 September 2018.

7. Basic and diluted return per share

Ordinary shares	Unaudited six months ended 30 June 2018		Unaudited six months ended 30 June 2017		Audited year ended 31 December 2017	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return attributable to Ordinary shares (£'000)	34	6,854	88	1,719	171	4,720
Weighted average shares in issue	74,379,984		66,871,021		67,848,906	
Return per Ordinary share (pence)	0.1	9.2	0.1	2.6	0.2	7.0

The weighted average number of shares is calculated excluding treasury shares of 8,409,700 (30 June 2017: 7,039,700; 31 December 2017: 7,818,700).

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

	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
Allotted, called up and fully paid Ordinary shares of 1 penny each			
Number of shares	83,543,578	74,804,925	80,135,559
Nominal value of allotted shares (£'000)	835	748	801
Voting rights (number of shares net of treasury shares)	75,113,878	67,765,225	72,316,859

During the period to 30 June 2018 the Company purchased 591,000 Ordinary shares (nominal value £5,910) for treasury at a cost of £417,000. The total number of Ordinary shares held in treasury as at 30 June 2018 was 8,409,700 (30 June 2017: 7,039,700; 31 December 2017: 7,818,700) representing 10.1 per cent. of the Ordinary shares in issue as at 30 June 2018.

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

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening market price on allotment date (pence per share)
31 May 2018	324,995	3	76.2	246	72.5

Under the terms of the Albion VCTs Prospectus Top Up Offers 2017/18, the following new Ordinary shares, of nominal value 1 penny each, were allotted during the period to 30 June 2018:

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 January 2018	1,903,510	19	74.0	1,373	68.5
5 April 2018	964,862	10	75.7	712	68.5
11 April 2018	76,930	1	75.0	57	67.0
11 April 2018	7,692	–	75.4	6	67.0
11 April 2018	130,030	1	75.7	96	67.0
	<u>3,083,024</u>	<u>31</u>		<u>2,244</u>	

9. Commitments and contingencies

As at 30 June 2018, the Company had no financial commitments in respect of investments (30 June 2017: £14,000; 31 December 2017: £nil).

There were no contingencies or guarantees of the Company as at 30 June 2018 (30 June 2017: £nil; 31 December 2017: £nil).

Notes to the condensed Financial Statements continued

10. Post balance sheet events

Since 30 June 2018, the Company has completed the following transactions:

- Investment of £411,000 in Quantexa Limited;
- Investment of £410,000 in Phrasee Limited; and
- Investment of £400,000 in SVS Albion OLIM UK Equity Income Fund.

11. Related party transactions

In November 2016, Albion acquired OLIM Investment Managers (“OLIM”), a specialist fund manager of UK quoted equities. During the period, a total of £200,000 (30 June 2017: £nil; 31 December 2017: £nil) was invested into the SVS Albion OLIM UK Equity Income Fund (“OUEIF”) following shareholder approval at the 2018 Annual General Meeting.

Albion agreed to reduce that proportion of its management fee relating to the investment in the OUEIF by 0.75 per cent., which represents the OUEIF management fee charged by OLIM; this will result in a reduction of the management fee during the remainder of the year.

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

12. Going concern

The Board’s assessment of liquidity risk remains unchanged since the last Annual Report and Financial Statements for the year ended 31 December 2017 and is detailed on page 63 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 2018 and 30 June 2017 and is unaudited. The information for the year ended 31 December 2017, 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, where the Report can be accessed from the ‘Financial Reports and Circulars’ section.





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