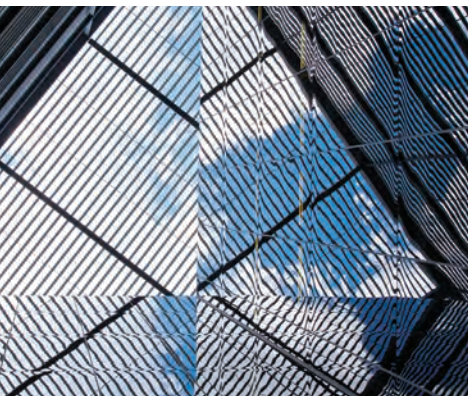


Albion Venture Capital Trust PLC



Half-yearly Financial Report
(unaudited) for the
six months to 30 September 2021

2021



AlbionCapital

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



Company information

Company number

03142609

Directors

Richard Glover, Chairman
John Kerr ACMA
Ann Berresford ACA
Richard Wilson

Country of incorporation

United Kingdom

Legal form

Public Limited Company

Manager, company secretary, AIFM and registered office

Albion Capital Group LLP
1 Benjamin Street
London, EC1M 5QL

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol, BS99 6ZZ

Auditor

BDO LLP
55 Baker Street
London, W1U 7EU

Corporate broker

Panmure Gordon (UK) Limited
One New Change
London, EC4M 9AF

Taxation adviser

Philip Hare & Associates LLP
Hamilton House
1 Temple Avenue
London, EC4Y 0HA

Legal adviser

Bird & Bird LLP
12 New Fetter Lane
London, EC4A 1JP

Depository

Ocorian Depository (UK) Limited
Level 5, 20 Fenchurch Street
London, EC3M 3BY

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

Shareholder information

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

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

Website: www.investorcentre.co.uk

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

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

Financial adviser information

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

Email: info@albion.capital

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

Website: www.albion.capital

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

Investment policy

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

Investment policy

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

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

Risk diversification and maximum exposures

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

Gearing

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

Financial calendar

Record date for second special dividend	10 December 2021
Payment date of second special dividend	31 December 2021
Record date for second interim dividend	7 January 2022
Payment date of second interim dividend	31 January 2022
Financial year end	31 March

Financial highlights

	Unaudited six months ended 30 September 2021 (pence per share)	Unaudited six months ended 30 September 2020 (pence per share)	Audited year ended 31 March 2021 (pence per share)
Opening net asset value	73.13	70.13	70.13
Capital return	2.47	1.48	5.64
Revenue return	0.05	0.43	1.46
Total return	2.52	1.91	7.10
Impact from share capital movements	(0.02)	0.05	0.14
Dividends paid	(16.83)	(2.50)	(4.24)
Net asset value	58.80	69.59	73.13

Total dividends paid to 30 September 2021 **180.87**

Net asset value as at 30 September 2021 58.80

Total shareholder value to 30 September 2021 **239.67**

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

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

The Directors have declared a second interim dividend of 1.47 pence per share for the year ending 31 March 2022, which will be paid on 31 January 2022 to shareholders on the register on 7 January 2022.

The Board has also declared a second special dividend of 7.00 pence per share, which will be paid on 31 December 2021 to shareholders on the register on 10 December 2021. Further details can be found in the Interim management report on page 5.

Interim management report

Introduction

I am pleased to report a total return of 2.52 pence per share for the six months to 30 September 2021, which represents a 3.4% uplift on the opening net asset value. Following the payment of the first special dividend of 15.00 pence per share and the first interim dividend of 1.83 pence per share paid to shareholders on 30 July 2021, the net asset value ("NAV") at 30 September 2021 was 58.80 pence per share (31 March 2021: 73.13p). Our portfolio companies continue to show resilience and their growth demonstrates the value they provide to their customers.

Valuation and results

The gain on investments for the six months to 30 September 2021 was £2.9 million compared to £1.9 million for the same period in the previous year. The key movements in the period include: a £0.9 million uplift in the valuation of Credit Kudos, demonstrating the value of its software platform; and a £0.6 million uplift in the valuation of Elliptic Enterprises, supported by an externally led Series C fundraising that raised \$60 million. We have also seen many of our other portfolio companies performing well. For example, Arecor Therapeutics listed onto the AIM stock exchange during the period and its share price has since increased by 85% leading to an increase in value of £0.5 million. The renewable energy portfolio continues to be a strong source of income for the Company, although electricity generation has been impacted by unfavourable weather conditions, the effect of which has been tempered by higher electricity prices and rising inflation. Our school investment, Radnor House in Sevenoaks, has seen an uplift of £0.5 million following the completion of an updated third-party valuation. In general, it is reassuring and encouraging to see many of our portfolio companies trading strongly as we navigate out of the pandemic.

However, there have also been some write-downs in our portfolio, particularly Avora (£0.3 million) and Xperiome (£0.2 million) due to slower growth than hoped.

Further details of the portfolio of investments can be found on pages 9 and 10.

Dividends

In line with our dividend policy targeting a dividend around 5% of NAV per annum the Company paid a first interim dividend of 1.83 pence per share during the period to 30 September 2021 (30 September 2020: 2.50 pence per share). As noted above, the Company also paid a special dividend of 15.00 pence per share alongside the first interim dividend.

The Company will pay a second interim dividend for the financial year ending 31 March 2022 of 1.47 pence per share on 31 January 2022 to shareholders on the register on 7 January 2022, being 2.5% of the 30 September 2021 NAV.

As indicated in the Chairman's statement in the Annual Report and Financial Statements, as a result of the additional liquidity generated from the sale of the Company's care homes in March 2021 and the requirement to maintain the Company's qualifying VCT status, the Board declare a second special dividend of 7.00 pence per share. This will be paid on 31 December 2021 to shareholders on the register on 10 December 2021.

This will result in special dividends paid for the year ending 31 March 2022 totaling 22.00 pence per share, representing 30.1% of opening NAV, and interim dividends paid totaling 3.30 pence per share, representing 4.5% of opening NAV.

Dividend Reinvestment Scheme ("DRIS")

The Company continues to offer a DRIS whereby shareholders can elect to receive dividends in the form of new shares. Shareholders not currently in the DRIS have the option to elect to have their dividends reinvested into new shares through the DRIS by logging into their account at www.investorcentre.co.uk. Please note that shareholders who hold their shares in CREST will need to contact their CREST service provider.

The terms and conditions for the DRIS can be found on the Company's webpage on the Manager's website at www.albion.capital/funds/AAVC under the 'Fund reports' section.

Interim management report continued

Investment activity

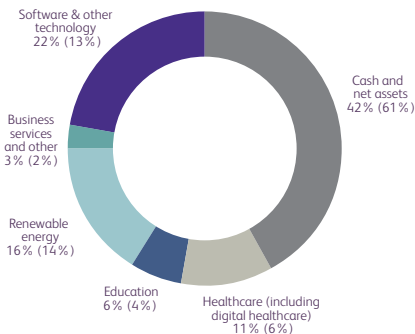
During the period the Company has invested £3.5 million into new and existing portfolio companies, with new investments comprising:

- £0.8 million in Gravitee Topco Limited (trading as Gravitee.io), an application programming interface (API) management platform;
- £0.7 million in NuvoAir AB, a provider of digital therapeutics and decentralised clinical trials for respiratory conditions;
- £0.6 million in Brytlyt Limited, which uses patented software and AI, combined with the superior computation power of graphics processing units (GPUs), to derive insights thousands of times faster than legacy systems; and
- £0.3 million in Accelex Technology Limited, a provider of data extraction and analytics technology for private capital markets.

A further £1.1 million was invested in existing portfolio companies, the largest being £0.6 million into uMotif, to support the business as it continues to develop its electronic patient report platform for clinical trials.

Investment portfolio by sector

The following pie chart shows the different sectors in which the Company's assets, at carrying value, were invested at 30 September 2021.



Comparatives for 31 March 2021 are shown in brackets
Source: Albion Capital Group LLP

Share buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in new and existing portfolio companies and for the continued payment of dividends to shareholders. The Board's policy is to buy-back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. It is the Board's intention for such buy-backs to be in the region of a 5 per cent. discount to net asset value, so far as market conditions and liquidity permit. The Board continues to review the use of buy-backs and is satisfied that it is an important means of providing market liquidity for shareholders.

Transactions with the Manager

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

Principal risks and uncertainties

The longer term implications of the Covid-19 crisis is the key risk facing the Company, including its impact on the UK and Global economies. In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Financial Statements for the year ended 31 March 2021. The Covid-19 pandemic has created heightened uncertainty, but has not changed the nature of the principal risks. The Board considers that the present processes for mitigating those risks remain appropriate.

The principal risks faced by the Company are:

- Investment, performance and valuation risk;
- VCT approval risk;
- Regulatory and compliance risk;
- Operational and internal control risk;
- Economic, political and social risk;
- Emerging risks;
- Market value of Ordinary shares; and
- Reputational risk.

Interim management report continued

A detailed explanation of the principal risks facing the Company can be found in the Annual Report and Financial Statements for the year ended 31 March 2021 on pages 18 to 20, copies of which are available on the Company's webpage on the Manager's website at www.albion.capital/funds/AAVC under the 'Financial Reports and Circulars' section.

Albion VCTs Top Up Offers

Your Board, in conjunction with the boards of the other five VCTs managed by Albion Capital Group LLP, has announced to the market the intention of the VCTs to launch prospectus top up offers of new ordinary shares for subscription in the 2021/2022 and 2022/2023 tax years. The prospectus is expected to be published in early January 2022, with more information available at www.albion.capital.

The proceeds will be used to provide support to our existing portfolio companies and to enable us to take advantage of new and exciting investment opportunities as they arise, four of which are detailed above.

To ensure efficient Shareholder communication **the Board is actively encouraging Shareholders who are currently receiving hard copy information to change their preferences to electronic communications.** There are many reasons why we think this is the right thing to do including being more environmentally friendly, less human contact, and speed including the immediacy of getting information to you regarding the Company and new Offers.

Shareholders can sign up for e-Comms by going to: www.investorcentre.co.uk/ecomms.

Outlook and prospects

The Board is encouraged by the performance of the portfolio as a whole and the prospects for its portfolio companies. The pipeline of new and follow on investments continues to remain strong, demonstrated by the £3.5 million invested in the first six months of the year, and the investment focus on growth and technology businesses provides the opportunity to continue to generate shareholder value over the medium to long term.

Richard Glover

Chairman

1 December 2021

Responsibility statement

The Directors Richard Glover, John Kerr, Ann Berresford and Richard Wilson are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 2021 we, the Directors of the Company, confirm that to the best of our knowledge:

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

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

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

For and on behalf of the Board

Richard Glover
Chairman
1 December 2021

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 September 2021			Change in value for the period** £'000
		Cost* £'000	Cumulative movement in value £'000	Value £'000	
Chonais River Hydro Limited	9.2	3,074	1,065	4,139	(132)
Radnor House School (TopCo) Limited	6.9	1,259	1,367	2,626	453
The Ewell Group Limited	5.2	1,272	783	2,055	(20)
Elliptic Enterprises Limited	1.6	1,244	624	1,868	624
Gharagain River Hydro Limited	11.5	1,363	377	1,740	(54)
Cantab Research Limited (T/A Speechmatics)	2.8	1,144	565	1,709	565
Credit Kudos Limited	2.7	584	897	1,481	897
Phrasee Limited	2.3	538	862	1,400	–
Threadneedle Software Holdings Limited (T/A Solidatus)	2.1	1,262	–	1,262	–
The Street by Street Solar Programme Limited	6.5	676	514	1,190	12
uMotif Limited	4.0	1,078	35	1,113	–
Beddlestead Limited	9.1	1,142	(58)	1,084	278
Healios Limited	2.4	678	339	1,017	–
Concirus Limited	1.9	975	–	975	–
Seldon Technologies Limited	4.6	902	–	902	–
Alto Prodotto Wind Limited	7.4	530	330	860	(21)
MHS 1 Limited	14.8	1,026	(168)	858	(58)
Arecor Therapeutics PLC (previously Arecor Limited)	0.7	249	576	825	469
Gravitee TopCo Limited (T/A Gravitee.io)	3.7	813	–	813	–
NuvoAir Holdings Inc.	2.4	741	–	741	–
The Voucher Market Limited (T/A WeGift)	1.8	735	–	735	–
Regenerco Renewable Energy Limited	4.5	451	276	727	1
Brytlyt Limited	3.4	577	–	577	–
Limitless Technology Limited	1.8	471	47	518	–
Imandra Inc.	1.3	175	261	436	261
Erin Solar Limited	18.6	520	(100)	420	(28)
Dragon Hydro Limited	7.3	264	147	411	(26)
uMedeor Limited (T/A uMed)	3.2	334	–	334	–
Accelex Technology Limited	3.6	324	–	324	–
AVESI Limited	7.4	242	81	323	(1)
Harvest AD Limited	-	307	(2)	305	(8)
TransFICC Limited	1.9	286	–	286	–
Greenenerco Limited	3.9	106	65	171	(5)
Premier Leisure (Suffolk) Limited	9.9	175	(10)	165	(9)
Xperiome Limited (previously Raremark)	2.4	308	(214)	94	(156)
Symetrica Limited	0.3	83	(17)	66	–
Kew Green VCT (Stansted) Limited	45.2	1,234	(1,211)	23	–
Avora Limited	4.2	750	(732)	18	(267)
Forward Clinical Limited (T/A Pando)	1.2	149	(145)	4	(1)
Total fixed asset investments		28,041	6,554	34,595	2,774

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

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

Portfolio of investments continued

Fixed asset investment realisations during the period to 30 September 2021	Cost* £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain £'000	Gain on opening value £'000
<i>Loan stock repayments and other:</i>					
Alto Prodotto Wind Limited	21	28	28	7	–
Dragon Hydro Limited	13	13	13	–	–
Greenenerco Limited	4	5	5	1	–
Escrow adjustments and other**	–	–	165	165	165
Total realisations	38	46	211	173	165

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

** These comprise fair value movements on deferred consideration on previously disposed investments, release of the G. Network Communications discount which is treated as a financing transaction, and expenses which are incidental to the purchase or disposal of an investment.

Total change in value of investments for the period	2,774
Movement in loan stock accrued interest	1
Unrealised gains sub-total	2,775
Realised gains in current period	165
Total gains on investments as per Income statement	2,940

Condensed income statement

	Note	Unaudited six months ended 30 September 2021			Unaudited six months ended 30 September 2020			Audited year ended 31 March 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	2,940	2,940	–	1,898	1,898	–	6,508	6,508
Investment income	4	412	–	412	884	–	884	2,467	–	2,467
Investment management fee	5	(158)	(472)	(630)	(167)	(501)	(668)	(337)	(1,010)	(1,347)
Other expenses		(193)	–	(193)	(180)	–	(180)	(363)	–	(363)
Profit on ordinary activities before tax		61	2,468	2,529	537	1,397	1,934	1,767	5,498	7,265
Tax (charge)/credit on ordinary activities		(11)	11	–	(101)	95	(6)	(299)	192	(107)
Profit and total comprehensive income attributable to shareholders		50	2,479	2,529	436	1,492	1,928	1,468	5,690	7,158
Basic and diluted return per share (pence)*	7	0.05	2.47	2.52	0.43	1.48	1.91	1.46	5.64	7.10

* adjusted for treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2020 and the audited statutory accounts for the year ended 31 March 2021.

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.

Condensed balance sheet

Note	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000	Audited 31 March 2021 £'000
Fixed asset investments	34,595	52,885	28,355
Current assets			
Trade and other receivables	2,144	108	1,561
Cash and cash equivalents	24,125	17,898	43,562
	26,269	18,006	45,123
Total assets	60,864	70,891	73,478
Payables: amounts falling due within one year			
Trade and other payables	(877)	(810)	(790)
Total assets less current liabilities	59,987	70,081	72,688
Equity attributable to equity holders			
Called-up share capital 8	1,192	1,162	1,165
Share premium	43,061	40,449	40,668
Capital redemption reserve	25	7	7
Unrealised capital reserve	6,355	15,008	3,588
Realised capital reserve	4,816	6,211	21,829
Other distributable reserve	4,538	7,244	5,431
Total equity shareholders' funds	59,987	70,081	72,688
Basic and diluted net asset value per share (pence)*	58.80	69.59	73.13

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2020 and the audited statutory accounts for the year ended 31 March 2021.

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 1 December 2021, and were signed on its behalf by

Richard Glover
Chairman
Company number: 03142609

Condensed statement of changes in equity

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Other distributable reserve* £'000	Total £'000
At 1 April 2021	1,165	40,668	7	3,588	21,829	5,431	72,688
Return/(loss) and total comprehensive income for the period	-	-	-	2,775	(296)	50	2,529
Transfer of previously unrealised gains on realisations of investments	-	-	-	(8)	8	-	-
Purchase of shares for cancellation	(17)	-	17	-	-	(943)	(943)
Issue of equity	44	2,410	-	-	-	-	2,454
Cost of issue of equity	-	(17)	-	-	-	-	(17)
Net dividends paid (note 6)	-	-	-	-	(16,724)	-	(16,724)
At 30 September 2021	1,192	43,061	25	6,355	4,816	4,538	59,987
At 1 April 2020	1,148	39,477	7	13,178	6,549	10,269	70,628
Return/(loss) and total comprehensive income for the period	-	-	-	1,838	(346)	436	1,928
Transfer of previously unrealised gains on realisations of investments	-	-	-	(8)	8	-	-
Purchase of treasury shares	-	-	-	-	-	(931)	(931)
Issue of equity	14	1,004	-	-	-	-	1,018
Cost of issue of equity	-	(32)	-	-	-	-	(32)
Net dividends paid (note 6)	-	-	-	-	-	(2,530)	(2,530)
At 30 September 2020	1,162	40,449	7	15,008	6,211	7,244	70,081
At 1 April 2020	1,148	39,477	7	13,178	6,549	10,269	70,628
Return and total comprehensive income for the year	-	-	-	1,831	3,859	1,468	7,158
Transfer of previously unrealised gains on realisations of investments	-	-	-	(11,421)	11,421	-	-
Purchase of treasury shares	-	-	-	-	-	(2,043)	(2,043)
Issue of equity	17	1,225	-	-	-	-	1,242
Cost of issue of equity	-	(34)	-	-	-	-	(34)
Net dividends paid (note 6)	-	-	-	-	-	(4,263)	(4,263)
At 31 March 2021	1,165	40,668	7	3,588	21,829	5,431	72,688

* These reserves amount to £9,355,000 (30 September 2020: £13,455,000; 31 March 2021: £27,260,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Cash flow from operating activities			
Loan stock income received	403	793	2,985
Deposit interest received	2	13	14
Dividend income received	7	11	24
Investment management fee paid	(790)	(671)	(1,337)
Other cash payments	(220)	(220)	(378)
UK Corporation tax refund/(paid)	97	–	(204)
Net cash flow from operating activities	(501)	(74)	1,104
Cash flow from investing activities			
Purchase of fixed asset investments	(4,180)	(1,775)	(5,040)
Disposal of fixed asset investments	191	264	30,620
Net cash flow from investing activities	(3,989)	(1,511)	25,580
Cash flow from financing activities			
Issue of share capital	–	668	668
Cost of issue of equity	(17)	(17)	(17)
Dividends paid*	(14,256)	(2,207)	(3,714)
Purchase of own shares (including costs)	(674)	(743)	(1,841)
Net cash flow from financing activities	(14,947)	(2,299)	(4,904)
(Decrease)/increase in cash and cash equivalents	(19,437)	(3,884)	21,780
Cash and cash equivalents at start of period	43,562	21,782	21,782
Cash and cash equivalents at end of period	24,125	17,898	43,562

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

Notes to the condensed Financial Statements

1. Basis of preparation

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

The preparation of the Financial Statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The most critical estimates and judgements relate to the determination of carrying value of investments at fair value through profit and loss (“FVTPL”). The Company values investments by following the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines as updated in 2018 and further detail on the valuation techniques used are outlined in note 2 below.

Company information can be found on page 2.

2. Accounting policies

Fixed asset investments

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

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

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

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

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

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

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

Current assets and payables

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

Notes to the condensed Financial Statements continued

2. Accounting policies (continued)

Gains and losses on investments

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

Investment income

Equity income

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

Unquoted loan stock

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

Bank interest income

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

Investment management fee, performance incentive fee and other expenses

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

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

Taxation

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

Deferred tax is provided in full on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the Financial Statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. As a VCT

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

Share capital and reserves

Called-up share capital

This reserve accounts for the nominal value of the shares.

Share premium

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 period end against cost are included in this reserve.

Realised capital reserve

The following are disclosed in this reserve:

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

Other distributable reserve

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

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

Dividends

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

Segmental reporting

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

Notes to the condensed Financial Statements continued

3. Gains on investments

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Unrealised gains on fixed asset investments	2,775	1,838	1,831
Realised gains on fixed asset investments	165	60	4,677
	2,940	1,898	6,508

4. Investment income

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Loan stock interest	403	863	2,432
Dividend income	7	11	24
Bank interest	2	10	11
	412	884	2,467

5. Investment management fee

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Investment management fee charged to revenue	158	167	337
Investment management fee charged to capital	472	501	1,010
	630	668	1,347

Further details of the Management agreement under which the investment management fee and any performance incentive fee are paid are given in the Strategic report on pages 13 and 14 of the Annual Report and Financial Statements for the year ended 31 March 2021.

During the period, services of a total value of £630,000 in management fees and £28,000 in administration fees (30 September 2020: £668,000 in management fees and £27,000 in administration fees; 31 March 2021: £1,347,000 in management fees and £54,000 in administration fees), were purchased by the Company from Albion Capital Group LLP. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services disclosed within payables was £199,000 (30 September 2020: £347,000; 31 March 2021: £359,000).

Albion Capital Group LLP is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period to 30 September 2021, fees of £98,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2020: £79,000; 31 March 2021: £193,000).

Albion Capital Group LLP, its partners and staff hold a total of 1,000,404 shares in the Company as at 30 September 2021.

Notes to the condensed Financial Statements continued

6. Dividends

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
First interim and first special dividend of 16.83p per share paid on 30 July 2021 (31 July 2020: First interim dividend of 2.50p per share)	16,728	2,541	2,541
Second interim dividend of 1.74p per share paid on 29 January 2021	–	–	1,745
Unclaimed dividends	(4)	(11)	(23)
	16,724	2,530	4,263

The Directors have declared a second interim dividend for the year ending 31 March 2022 of 1.47 pence per share (total approximately £1,500,000), payable on 31 January 2022 to shareholders on the register on 7 January 2022.

The Directors have also declared a second special dividend of 7.00 pence per share (total approximately £7,141,000), which will be paid on 31 December 2021 to shareholders on the register on 10 December 2021.

7. Basic and diluted return per share

	Unaudited six months ended 30 September 2021		Unaudited six months ended 30 September 2020		Audited year ended 31 March 2021	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return attributable to equity shares (£'000)	50	2,479	436	1,492	1,468	5,690
Weighted average shares in issue (adjusted for treasury shares)	100,483,335		101,213,085		100,836,952	
Return attributable per equity share (pence)	0.05	2.47	0.43	1.48	1.46	5.64

The weighted average number of shares is calculated after adjusting for treasury shares of 17,153,431 (30 September 2020: 15,519,396; 31 March 2021: 17,153,431).

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

8. Called-up share capital

Allotted, called-up and fully paid shares of 1 penny each	Unaudited 30 September 2021	Unaudited 30 September 2020	Audited 31 March 2021
Number of shares	119,164,991	116,220,062	116,549,525
Nominal value of allotted shares (£'000)	1,192	1,162	1,165
Voting rights (number of shares net of treasury shares)	102,011,560	100,700,666	99,396,094

During the period to 30 September 2021 the Company purchased 1,743,454 Ordinary shares (nominal value of £17,435) to be cancelled (30 September 2020: 1,435,365 shares for treasury; 31 March 2021: 3,069,400 shares for treasury) at a cost of £943,000 (30 September 2020: £931,000; 31 March 2021: £2,043,000) representing 1.5 per cent. of the shares in issue as at 30 September 2021.

Notes to the condensed Financial Statements continued

8. Called-up share capital (continued)

The total number of Ordinary shares held in treasury as at 30 September 2021 was 17,153,431 (30 September 2020: 15,519,396; 31 March 2021: 17,153,431) representing 14.4 per cent. of the share capital as at 30 September 2021.

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

Date of allotment	Number of shares allotted	Aggregate nominal value of shares (£'000)	Issue price (pence per share)	Net invested (£'000)	Opening-market price on allotment date (pence per share)
30 July 2021	4,358,920	44	56.30	2,437	53.50

9. Commitments and contingencies

As at 30 September 2021, the Company had no financial commitments (30 September 2020 and 31 March 2021: £nil).

There are no contingencies or guarantees of the Company as at 30 September 2021 (30 September 2020 and 31 March 2021: £nil).

10. Post balance sheet events

Since 30 September 2021 the Company has had the following material post balance sheet events:

- Investment of £669,000 in an existing portfolio company, Elliptic Enterprises Limited.

11. Related party transactions

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

12. Going concern

The Board has conducted a detailed assessment of the Company's ability to meet its liabilities as they fall due. Cash flow forecasts are updated and discussed quarterly at Board level and have been stress tested to allow for the forecasted impact of Coronavirus (Covid-19). The Board has revisited and updated their assessment of liquidity risk and concluded that it remains unchanged since the last Annual Report and Financial Statements. Further details can be found on page 67 of those accounts.

The portfolio of investments is diversified in terms of sector and the major cash outflows of the Company (namely investments, dividends and share buy-backs) are within the Company's control. Accordingly, after making diligent enquiries, the Directors have a reasonable expectation that the Company has adequate cash and liquid resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing this Half-yearly Financial Report and this is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014, and the subsequent updated Going concern, risk and viability guidance issued by the FRC due to Covid-19 in 2020.

Notes to the condensed Financial Statements continued

13. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 434 of the Companies Act 2006 for the periods ended 30 September 2021 and 30 September 2020 and is unaudited. The information for the year ended 31 March 2021 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

14. Publication

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



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