

Albion Development VCT PLC



Half-yearly Financial Report
(unaudited) for the
six months to 30 June 2022



AlbionCapital



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Company information

Company number

03654040

Directors

B Larkin (Chairman)
L M Goleby
Lord O'Shaughnessy
P H Reeve

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
6 Snow Hill
London, EC1A 2AY

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 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 are recorded)

Website: www.investorcentre.co.uk

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

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

Financial adviser information

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

Email: info@albion.capital

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

Website: www.albion.capital

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

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 2010. The D shares converted to Ordinary shares in 2015.

An additional £74.1 million has been raised for the Ordinary shares through the Albion VCTs Top Up Offers since January 2011.

Financial calendar

Record date for second dividend for the year	9 September 2022
Payment date for second dividend for the year	30 September 2022
Financial year end	31 December

Financial highlights

	Unaudited six months ended 30 June 2022 (pence per share)	Unaudited six months ended 30 June 2021 (pence per share)	Audited year ended 31 December 2021 (pence per share)
Ordinary shares			
Opening net asset value	94.98	82.42	82.42
Capital return	0.69	12.93	16.74
Revenue return/ (loss)	<u>0.26</u>	<u>(0.46)</u>	<u>0.46</u>
Total return	0.95	12.47	17.20
Dividends paid	(2.37)	(2.06)	(4.37)
Impact from share capital movements	<u>(0.01)</u>	<u>(0.42)</u>	<u>(0.27)</u>
Net asset value	93.55	92.41	94.98

Total dividends paid to 30 June 2022	111.23
Net asset value as at 30 June 2022	93.55

Total shareholder value to 30 June 2022	204.78
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The total shareholder value table above is for the Company, Albion Development VCT PLC Ordinary shares only. Details of the financial performance of the C shares and D shares, which have been merged into the Ordinary shares, can be found at www.albion.capital/funds/AADV under the 'Financial summary for previous funds' section.

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

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 December 2022, of 2.34 pence per Ordinary share to be paid on 30 September 2022 to shareholders on the register on 9 September 2022.

Interim management report

Introduction

As the world emerges from the Covid-19 pandemic, we are now encountering new geopolitical and macroeconomic challenges including rising interest rates, double digit inflation and the impact of the ongoing war in Ukraine.

Despite these ongoing challenges, the Company has proved resilient generating a modest increase in total shareholder value of 0.94 pence per share for the six months to 30 June 2022. This represents a 1% return on opening net asset value ("NAV").

Valuations and results

The £1.1 million total return for the six months to 30 June 2022 compared to a total return of £12.5 million for the same period in the previous year. The NAV per share has decreased to 93.55 pence per share (31 December 2021: 94.98 pence per share) as a result of the 2.37 pence per share dividend paid on 31 May 2022 not being covered by the 0.94 pence per share increase in total shareholder value.

The key contributors to the return for the period were the three successful exits of:

- MyMeds&Me sold for proceeds of £3.2 million and a return on cost of 3.4 times;
- Phrasee sold for proceeds of £2.1 million and a return on cost of 3.5 times; and
- Credit Kudos sold for proceeds of £1.8 million and a return on cost of 5.2 times.

Further details on these disposals can be found in the table on page 10.

The challenging economic environment has resulted in falling valuations of quoted technology and healthcare companies which has consequently led to some write-downs in our portfolio, the largest being Egress (£0.8 million) which is an encrypted email and file transfer service provider and Proveca (£0.3 million) which focuses on reformulation of medicines for children. Although these investments have been written down in line with falls in market multiples, we are encouraged by the prospects of these investments which continue to grow and have the potential to recover value in time.

It is pleasing, despite a challenging valuation environment, to see a number of our investments being written up during the period, following successful third party funding rounds at higher valuations. These include Speechmatics (£0.5 million) and Locum's Nest (£0.4 million).

Our top 3 portfolio companies now account for 26.6% of the Company's NAV (30 June 2021: 32.0%; 31 December 2021: 32.7%). Further details of the portfolio of investments can be found on pages 9 and 10.

Dividends

In line with our variable dividend policy targeting 5% of NAV per annum, the Company paid a dividend of 2.37 pence per share during the period to 30 June 2022 (30 June 2021: 2.06 pence per share). The Company will pay a second dividend for the financial year ending 31 December 2022 of 2.34 pence per share on 30 September 2022 to shareholders on the register on 9 September 2022, being 2.5% of the latest reported NAV.

This will bring the total dividends paid for the year ending 31 December 2022 to 4.71 pence per share, which equates to a 5.0% yield on the opening NAV of 94.98 pence per share.

Investment activity

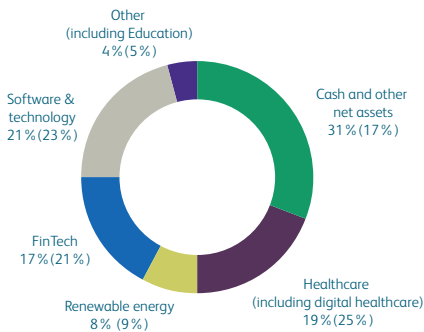
During the period the Company has invested £5.8 million into new and existing portfolio companies, with new investments comprising:

- £0.9 million into PeakData, a provider of insights and analytics into pharmaceutical companies about therapeutic areas;
- £0.5 million into Ophelos, an autonomous and ethical debt resolution platform;
- £0.5 million into Perchpeek, a digital relocation platform; and
- £0.1 million into Regulatory Genome Development, a provider of machine readable structured regulatory content.

Interim management report continued

A further £3.8 million was invested in existing portfolio companies to help support them as they continue to grow, including £0.7 million into Black Swan Data, £0.7 million into TransFICC, £0.7 million into Speechmatics and £0.5 million into Seldon Technologies.

Investment portfolio by sector



Comparatives for 31 December 2021 are shown in brackets

Share buy-backs

It remains 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. This includes the maintenance of sufficient cash resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders.

It is the Board's intention that such buy-backs should be at around a 5% discount to net asset value, in so far as market conditions and liquidity permit.

Transactions with the Manager

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

Risks and uncertainties

In addition to the risks around Covid-19, which have been a major factor for the past two years, the UK is experiencing its highest level of inflation in decades, as well as the uncertainty over the future course and global

impact of Russia's invasion of Ukraine. Our investment portfolio, while concentrated mainly in the technology and healthcare sectors, remains diversified in terms of both sub-sector and stage of maturity and, importantly, we believe to be appropriately valued.

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 December 2021. The current high levels of inflation and the war in Ukraine have 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 and regulatory change risk;
- Regulatory and compliance risk;
- Operational and internal control risk (including cyber and data security);
- Economic and political risk;
- Emerging risks;
- Liquidity risk; and
- Environmental, social and governance ("ESG") risk.

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 December 2021 on pages 15 to 17, copies of which are available on the Company's webpage on the Manager's website at www.albion.capital/funds/AADV under the 'Financial Reports and Circulars' section.

Sunset Clause

In 2015 a VCT “sunset clause” was introduced as a requirement of an EU state aid notification. This provides that income tax relief will no longer be given to subscriptions made on or after 6 April 2025, unless the legislation is amended to make the scheme permanent or the “sunset clause” is extended. Our Manager, Albion Capital, is working, alongside the VCT industry, to demonstrate to the Government the importance of VCTs as a source of early stage capital to support entrepreneurs creating innovative growth businesses employing thousands of people throughout the UK. Given its importance, the Board expects that the VCT scheme will continue to attract Government support.

Albion VCTs Top Up Offers

As announced in the Annual Report and Financial Statements for the year ended 31 December 2021, the Board was pleased to close the 2021/22 Offer, fully subscribed, having raised £21 million.

The proceeds are being 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. Details on the share allotments during the period can be found in note 8.

Shareholder seminar

The Board is pleased to report that the Manager, Albion Capital, is to host a physical shareholder seminar this year on 23 November 2022, at the Royal College of Surgeons, Lincoln’s Inn Fields, London. The Board considers this an important interactive event and invites shareholders to attend. To reserve a place, please email info@albion.capital.

Prospects

The Board is mindful of the considerable uncertainty over the Global economy in the short to medium term against a backdrop of multiple macroeconomic and geopolitical uncertainties. However, we are of the view that the Company is well placed to navigate these challenges, and many of the companies within the portfolio continue to grow, and they provide products and services that are considered innovative and essential to their customers. Our focus on technology and healthcare, whilst minimising exposure to discretionary consumer expenditure, is designed to help the Company weather uncertain times. The Board is encouraged by the strong pipeline of new investment opportunities being progressed by the Manager on attractive terms. Importantly, the Company has the cash resources to capitalise on these opportunities, to support the existing portfolio and has the potential to deliver long term value to our shareholders.

Ben Larkin

Chairman
7 September 2022

Responsibility statement

The Directors, Ben Larkin, Lyn Goleby, Lord O' Shaughnessy and Patrick Reeve, are responsible for the preparation of the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 June 2022 we, the Directors of the Company, confirm that to the best of our knowledge:

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

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

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

For and on behalf of the Board

Ben Larkin

Chairman
7 September 2022

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 June 2022			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Quantexa Limited	2.6	2,101	12,810	14,911	–
Egress Software Technologies Limited	6.9	2,332	6,070	8,402	(822)
Provecca Limited	11.8	1,829	5,630	7,459	(314)
Oviva AG	2.8	2,601	2,311	4,912	(297)
Radnor House School (TopCo) Limited	8.5	1,560	1,508	3,068	(219)
Black Swan Data Limited	5.9	2,934	(25)	2,909	(8)
The Ewell Group Limited	5.8	1,407	1,390	2,797	17
Chonais River Hydro Limited	4.6	1,705	679	2,384	121
The Street by Street Solar Programme Limited	12.4	1,291	1,030	2,321	25
Cantab Research Limited (T/A Speechmatics)	1.6	1,337	793	2,130	454
Regenerco Renewable Energy Limited	11.9	1,204	764	1,968	22
Panaseer Limited	3.1	1,122	534	1,656	–
Aridhia Informatics Limited	5.8	1,129	247	1,376	(98)
Healios Limited	3.3	847	522	1,369	–
Elliptic Enterprises Limited	0.7	984	366	1,350	–
Threadneedle Software Holdings Limited (T/A Solidatus)	2.0	1,209	–	1,209	–
Gravitee TopCo Limited (T/A Gravitee.io)	2.2	923	236	1,159	236
Beddlestead Limited	8.6	1,026	123	1,149	102
Locum's Nest Limited	5.6	663	460	1,123	427
Alto Prodotto Wind Limited	9.4	647	445	1,092	73
TransFICC Limited	2.4	891	196	1,087	–
Convertr Media Limited	6.2	992	45	1,037	5
Arecor Therapeutics PLC	1.1	387	626	1,013	(178)
Cisiv Limited	7.4	686	305	991	(22)
PeakData AG	2.1	922	33	955	33
Seldon Technologies Limited	1.8	873	–	873	–
NuvoAir Holdings Inc.	1.4	570	270	840	81
Koru Kids Limited	2.1	573	256	829	–
uMotif Limited	3.1	941	(157)	784	(76)
The Voucher Market Limited (T/A WeGift)	1.1	492	285	777	285
InCrowd Sports Limited	4.3	545	228	773	40
Ophelos Limited	2.0	527	–	527	–
Perchpeek Limited	1.6	517	–	517	–
AVESI Limited	10.5	340	108	448	–
The Q Garden Company Limited	16.6	466	(75)	391	–
Limitless Technology Limited	2.4	648	(276)	372	(276)
Imandra Inc.	1.8	236	126	362	(231)
Accelex Technology Limited	2.0	361	–	361	–
Brytlyt Limited	2.0	330	–	330	–
Dragon Hydro Limited	5.5	197	121	318	7
Zift Channel Solutions Inc.	1.7	885	(586)	299	(51)
Oxsensis Limited	1.6	439	(199)	240	(199)
DySIS Medical Limited	1.4	1,038	(814)	224	(46)
MHS 1 Limited	3.3	231	(38)	193	–

Portfolio of investments continued

Fixed asset investments	% voting rights	As at 30 June 2022			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Greenenerco Limited	4.0	106	75	181	10
uMedeor Limited (T/A uMed)	1.2	128	–	128	–
Regulatory Genome Development Limited	0.7	112	–	112	–
Mirada Medical Limited	2.7	909	(805)	104	104
Premier Leisure (Suffolk) Limited	6.2	109	(6)	103	–
Erin Solar Limited	4.3	120	(23)	97	–
Symetrica Limited	0.3	89	(18)	71	–
memsstar Limited	2.8	62	(19)	43	(11)
Concirus Limited	1.2	632	(610)	22	(179)
Abcodia Limited	4.7	838	(835)	3	–
Forward Clinical Limited (T/A Pando)	1.8	219	(216)	3	(3)
Avora Limited	2.2	400	(400)	–	(9)
Elements Software Limited	0.6	3	(3)	–	–
Total fixed asset investments		46,665	33,487	80,152	(997)

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

Investment realisations in the period to 30 June 2022	Cost £'000	Opening value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
<u>Disposals:</u>					
MyMeds & Me Limited	940	1,422	3,152	2,212	1,730
Phrasee Limited	712	2,112	2,495	1,783	383
Credit Kudos Limited	344	1,424	1,776	1,432	352
<u>Loan stock repayments and other:</u>					
Oxsensis Limited	147	166	166	19	–
Alto Prodotto Wind Limited	25	37	37	12	–
Greenenerco Limited	4	6	6	2	–
Escrow adjustments*	–	–	171	171	171
Sandcroft Avenue Limited**	1,281	15	–	(1,281)	(15)
Total	3,453	5,182	7,803	4,350	2,621

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

** In administration

Total change in value of investments for the year	(997)
Movement in accrued loan stock interest	112
Unrealised losses on fixed asset investments sub-total	(885)
Realised gains in the current period	2,621
Unwind of discount on deferred consideration	144
Total gains on investments as per Income statement	1,880

Condensed income statement

	Note	Unaudited six months ended 30 June 2022			Unaudited six months ended 30 June 2021			Audited year ended 31 December 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	1,880	1,880	–	14,928	14,928	–	20,592	20,592
Investment income	4	591	–	591	370	–	370	988	–	988
Investment Manager's fees*	5	(120)	(1,079)	(1,199)	(671)	(2,014)	(2,685)	(196)	(3,604)	(3,800)
Other expenses		(168)	–	(168)	(159)	–	(159)	(326)	–	(326)
Profit/(loss) on ordinary activities before tax		303	801	1,104	(460)	12,914	12,454	466	16,988	17,454
Tax charge on ordinary activities		–	–	–	–	–	–	–	–	–
Profit/(loss) and total comprehensive income attributable to shareholders		303	801	1,104	(460)	12,914	12,454	466	16,988	17,454
Basic and diluted return/(loss) per share (pence)**	7	0.26	0.69	0.95	(0.46)	12.93	12.47	0.46	16.74	17.20

*For more information on the allocation between revenue and capital please see the accounting policies on page 16.

**adjusted for 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 2021 and the audited statutory accounts for the year ended 31 December 2021.

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 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 December 2021 £'000
Fixed asset investments		80,152	75,689	80,500
Current assets				
Trade and other receivables		2,604	1,827	2,566
Cash and cash equivalents		33,776	20,400	17,032
		36,380	22,227	19,598
Total assets		116,532	97,916	100,098
Payables: amounts falling due within one year				
Trade and other payables		(933)	(2,576)	(2,459)
Total assets less current liabilities		115,599	95,340	97,639
Equity attributable to equity holders				
Called-up share capital	8	1,388	1,163	1,167
Share premium		20,772	54,961	–
Capital redemption reserve		–	12	–
Unrealised capital reserve		33,434	31,267	36,048
Realised capital reserve		10,759	10,432	7,344
Other distributable reserve		49,246	(2,495)	53,080
Total equity shareholders' funds		115,599	95,340	97,639
Basic and diluted net asset value per share (pence)*		93.55	92.41	94.98

*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 2021 and the audited statutory accounts for the year ended 31 December 2021.

These Financial Statements were approved by the Board of Directors and authorised for issue on 7 September 2022, and were signed on its behalf by

Ben Larkin
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 2022	1,167	-	-	36,048	7,344	53,080	97,639
Profit/(loss) and total comprehensive income for the period	-	-	-	(885)	1,686	303	1,104
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,729)	1,729	-	-
Purchase of shares for treasury	-	-	-	-	-	(1,212)	(1,212)
Issue of equity	221	21,297	-	-	-	-	21,518
Cost of issue of equity	-	(525)	-	-	-	-	(525)
Dividends paid	-	-	-	-	-	(2,925)	(2,925)
As at 30 June 2022	1,388	20,772	-	33,434	10,759	49,246	115,599
As at 1 January 2021	1,040	44,978	12	18,020	12,886	(1,077)	75,859
Profit/(loss) and total comprehensive income for the period	-	-	-	14,708	(1,794)	(460)	12,454
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,461)	1,461	-	-
Purchase of shares for treasury	-	-	-	-	-	(958)	(958)
Issue of equity	123	10,229	-	-	-	-	10,352
Cost of issue of equity	-	(246)	-	-	-	-	(246)
Dividends paid	-	-	-	-	(2,121)	-	(2,121)
As at 30 June 2021	1,163	54,961	12	31,267	10,432	(2,495)	95,340
As at 1 January 2021	1,040	44,978	12	18,020	12,886	(1,077)	75,859
Profit/(loss) and total comprehensive income for the year	-	-	-	19,786	(2,798)	466	17,454
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,758)	1,758	-	-
Purchase of shares for treasury	-	-	-	-	-	(1,661)	(1,661)
Issue of equity	127	10,626	-	-	-	-	10,753
Cost of issue of equity	-	(264)	-	-	-	-	(264)
Reduction of share premium and capital redemption reserve	-	(55,340)	(12)	-	-	55,352	-
Dividends paid	-	-	-	-	(4,502)	-	(4,502)
As at 31 December 2021	1,167	-	-	36,048	7,344	53,080	97,639

*Included within these reserves is an amount of £31,131,000 (30 June 2021: £7,937,000; 31 December 2021: £28,992,000) which is considered distributable. Over the next three years an additional £26,933,000 will become distributable. This is due to the HMRC requirement that the Company cannot use capital raised in the past three years to make a payment or distribution to shareholders.

Condensed statement of cash flows

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Cash flow from operating activities			
Loan stock income received	586	349	736
Deposit interest received	18	1	1
Dividend income received	78	18	24
Investment Manager's fees paid	(2,916)	(869)	(1,877)
Other cash payments	(213)	(195)	(326)
Corporation tax paid	–	–	–
Net cash flow from operating activities	(2,447)	(696)	(1,442)
Cash flow from investing activities			
Purchase of fixed asset investments	(5,136)	(4,705)	(7,500)
Disposal of fixed asset investments	7,265	2,882	6,003
Net cash flow from investing activities	2,129	(1,823)	(1,497)
Cash flow from financing activities			
Issue of share capital	20,491	9,767	9,767
Cost of issue of shares	–	(17)	(35)
Equity dividends paid*	(2,405)	(1,766)	(3,744)
Purchase of own shares (including costs)	(1,024)	(710)	(1,662)
Net cash flow from financing activities	17,062	7,274	4,326
Increase in cash and cash equivalents	16,744	4,755	1,387
Cash and cash equivalents at start of period	17,032	15,645	15,645
Cash and cash equivalents at end of period	33,776	20,400	17,032

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

Notes to the condensed Financial Statements

1. Basis of accounting

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

The preparation of the Financial Statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The most critical estimates and judgements relate to the determination of carrying value of investments at Fair Value Through Profit and Loss ("FVTPL") in accordance with FRS 102 sections 11 and 12. The Company values investments by following the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines as updated in 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, revenue multiples, the level of third party offers received, cost or price of recent investment rounds, net assets and industry valuation benchmarks. Where price of recent investment is used as a starting point for estimating fair value at subsequent measurement dates, this has been benchmarked using an appropriate valuation technique permitted by the IPEV guidelines.
- In situations where cost or price of recent investment is used, consideration is given to the circumstances of the portfolio company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, 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.

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

Investment income

Equity income

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

Unquoted loan stock 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 fee, performance incentive fee 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:

- 90% of management fees and 100% of performance incentive fees, if any, are allocated to the realised capital reserve. This has changed from 75% for both management fees and performance incentive fees in the year ended 31 December 2021, to better align with the Board's expectation that over the long term the majority of the Company's investment returns will be in the form of capital gains.
- 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

Called-up share capital accounts for the nominal value of the Company's shares.

Share premium

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

Capital redemption reserve

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

Unrealised capital reserve

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

Realised capital reserve

The following are disclosed in this reserve:

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

Other distributable reserve

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

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

Dividends

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

Segmental reporting

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

Notes to the condensed Financial Statements continued

3. Gains/(losses) on investments

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Unrealised (losses)/gains on fixed asset investments	(885)	14,708	19,786
Realised gains on fixed asset investments	2,621	96	549
Unwinding of discount on deferred consideration	144	124	257
	<u>1,880</u>	<u>14,928</u>	<u>20,592</u>

4. Investment income

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Loan stock interest	474	351	964
Dividend income	100	18	23
Bank deposit interest	17	1	1
	<u>591</u>	<u>370</u>	<u>988</u>

5. Investment Manager's fees

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Investment management fee charged to revenue	120	230	196
Investment management fee charged to capital	1,079	692	1,766
Performance incentive fee charged to revenue	–	441	–
Performance incentive fee charged to capital	–	1,322	1,838
	<u>1,199</u>	<u>2,685</u>	<u>3,800</u>

Further details of the Management agreement under which the investment management fee and performance incentive fee are paid are given in the Strategic report on page 12 of the Annual Report and Financial Statements for the year ended 31 December 2021.

During the period, services to a total value of £1,199,000 (30 June 2021: £922,000; 31 December 2021: £1,962,000) were purchased by the Company from Albion Capital Group LLP (Albion Capital). At the financial period end, the amount due to Albion Capital in respect of these services was £650,000 (30 June 2021: £495,000; 31 December 2021: £528,000). The total annual running costs of the Company are capped at an amount equal to 2.5% of the Company's net assets, with any excess being met by Albion Capital by way of a reduction in management fees. As total costs remained within the cap during the period, there was no requirement to reduce the management fee (30 June 2021: £41,000; 31 December 2021: £86,000). For the period to 30 June 2022, no performance incentive fee has been accrued in line with the Management agreement (30 June 2021: £1,763,000; 31 December 2021: £1,838,000).

During the period, the Company was not charged by Albion Capital in respect of Patrick Reeve's services as a Director (30 June 2021: £nil; 31 December 2021: £nil).

Notes to the condensed Financial Statements continued

5. Investment Manager's fees (continued)

Albion Capital, its Partners and staff (including Patrick Reeve) hold 989,580 Ordinary shares in the Company as at 30 June 2022.

The Manager is, from time to time, eligible to receive arrangement fees and monitoring fees from portfolio companies. During the period ended 30 June 2022, fees of £108,000 attributable to the investments of the Company were paid pursuant to these arrangements (30 June 2021: £136,000; 31 December 2021: £187,000).

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

6. Dividends

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
First dividend of 2.37p per share paid on 31 May 2022 (28 May 2021: 2.06p per share)	2,925	2,126	2,126
Second dividend of 2.31p per share paid on 30 September 2021	-	-	2,383
Unclaimed dividends	-	(5)	(7)
	2,925	2,121	4,502

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 December 2022 of 2.34 pence per share (total approximately £2,891,000), payable on 30 September 2022 to shareholders on the register on 9 September 2022.

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

	Unaudited six months ended 30 June 2022		Unaudited six months ended 30 June 2021		Audited year ended 31 December 2021	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return/(loss) attributable to Ordinary shares (£'000)	303	801	(460)	12,914	466	16,988
Weighted average shares in issue	115,738,554		99,832,987		101,474,066	
Return/(loss) per Ordinary share (pence)	0.26	0.69	(0.46)	12.93	0.46	16.74

The weighted average number of shares is calculated after adjusting for treasury shares of 15,282,637 (30 June 2021: 13,137,307; 31 December 2021: 13,946,475).

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. Called-up share capital

Allotted, called-up and fully paid Ordinary shares of 1 penny each	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Number of shares	138,850,411	116,303,264	116,747,394
Nominal value of allotted shares (£'000)	1,388	1,163	1,167
Voting rights (number of shares net of treasury shares)	123,567,774	103,165,957	102,800,919

During the period to 30 June 2022 the Company purchased 1,336,162 Ordinary shares (nominal value £13,362) for treasury at a cost of £1,212,000. The total number of Ordinary shares held in treasury as at 30 June 2022 was 15,282,637 (30 June 2021: 13,137,307; 31 December 2021: 13,946,475) representing 11.0% of the Ordinary shares in issue as at 30 June 2022.

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 2022	548,418	5	94.78	501	90.00

Under the terms of the Albion VCTs Prospectus Top Up Offers 2021/22, the following new Ordinary shares, of nominal value 1 penny each, were allotted during the period to 30 June 2022:

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)
25 February 2022	1,360,570	14	96.50	1,293	91.00
25 February 2022	462,648	5	97.00	440	91.00
25 February 2022	11,077,966	111	97.50	10,532	91.00
31 March 2022	7,756,832	78	97.50	7,374	91.00
11 April 2022	162,918	2	96.50	155	91.00
11 April 2022	24,223	–	97.00	23	91.00
11 April 2022	709,442	7	97.50	674	91.00
	21,554,599			20,491	

9. Commitments and contingencies

As at 30 June 2022, the Company had no financial commitments in respect of investments (30 June 2021: £nil; 31 December 2021: £nil).

There were no contingencies or guarantees of the Company as at 30 June 2022 (30 June 2021: £nil; 31 December 2021: £nil).

Notes to the condensed Financial Statements continued

10. Post balance sheet events

The following are the material post balance sheet events since 30 June 2022:

- Investment of £1,369,000 into a new portfolio company, a SaaS based global financial orchestration platform;
- Investment of £610,000 into a new portfolio company, an early stage cybersecurity training business; and
- Investment of £523,000 into a new portfolio company, a platform providing digital neurorehabilitation.

11. Related party transactions

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

12. Going concern

The Board has conducted a detailed assessment of the Company's ability to meet its liabilities as they fall due. Cash flow forecasts are updated and discussed quarterly at Board level and have been stress tested to allow for the forecasted impact of the current economic climate and increasingly volatile geopolitical backdrop. The Board have revisited and 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 69 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 subsequently updated Going concern, risk and viability guidance issued by the FRC due to Covid-19 in 2020.

13. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 434 of the Companies Act 2006 for the periods ended 30 June 2022 and 30 June 2021 and is unaudited. The information for the year ended 31 December 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/AADV, where the Report can be accessed from the 'Financial Reports and Circulars' section.





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