

Albion Enterprise VCT PLC



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



ALBIONCAPITAL

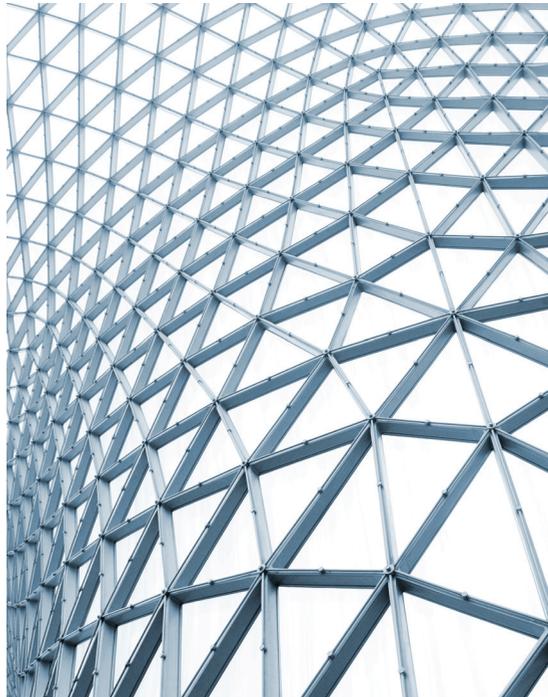


Contents

Page

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

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



Company information

Company number	05990732
Directors	M Packe, Chairman Lord St John of Bletso Lady Balfour of Burleigh C Burrows 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 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	Phillip Hare & Associates LLP 1st Floor 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP

Albion Enterprise 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 5860 (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 with Computershare by registering on Computershare's website.

Financial adviser information

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 policy

Albion Enterprise VCT PLC (the “Company”) is a Venture Capital Trust and the investment objective of the Company is to provide investors with a regular and predictable source of income, combined with the prospect of longer term capital growth.

Investment policy

The Company will invest in a broad portfolio of higher growth businesses across a variety of sectors of the UK economy including higher risk technology companies. 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 both in terms of sector and stage of maturity of company.

VCT qualifying and non-VCT qualifying investments

Application of the investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue and Customs (“VCT regulations”). The maximum amount invested in any one company is limited to any HMRC annual investment limits. It is intended that normally at least 80 per cent. of the Company’s funds will be invested in VCT qualifying investments. The VCT regulations also have an impact on the type of investments and qualifying sectors in which the Company can make investment.

Funds held prior to investing in VCT qualifying assets or for liquidity purposes will be held as cash on deposit, invested in floating rate notes or similar instruments with banks or other financial institutions with high credit ratings or invested in liquid open-ended equity funds providing income and capital equity exposure (where it is considered economic to do so). Investment in such open-ended equity funds will not exceed 10 per cent. of the Company’s assets at the time of investment.

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 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 its adjusted share capital and reserves.

Financial calendar

Record date for second dividend	8 February 2019
Payment date for second dividend	28 February 2019
Financial year end	31 March

Financial highlights

	Unaudited six months ended 30 September 2018 (pence per share)	Unaudited six months ended 30 September 2017 (pence per share)	Audited year ended 31 March 2018 (pence per share)
Dividends paid	3.00	2.50	5.00
Revenue return	(0.02)	–	(0.39)
Capital return	<u>5.77</u>	<u>2.34</u>	<u>13.79</u>
Total return	5.75	2.34	13.40
Net asset value	112.12	101.62	109.46

Total shareholder return to 30 September 2018:

(Pence per share)

Dividends paid during the year ended:

31 March 2008	0.70
31 March 2009	1.65
31 March 2010	2.00
31 March 2011	3.00
31 March 2012	3.00
31 March 2013	3.50
31 March 2014	5.00
31 March 2015	5.00
31 March 2016	5.00
31 March 2017	5.00
31 March 2018	5.00

Dividends paid in the six months to 30 September 2018 3.00

Total dividends paid to 30 September 2018

41.85

Net asset value as at 30 September 2018

112.12

Total shareholder return to 30 September 2018

153.97

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2019, of 3.00 pence per share to be paid on 28 February 2019 to shareholders on the register on 8 February 2019.

Notes

- The dividend of 0.70 pence per share paid during the period ended 31 March 2008 and first dividend of 0.40 pence per share paid during the year ended 31 March 2009 were paid to shareholders who subscribed in the 2006/2007 offer only.
- The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be accessed via a link on the Company's webpage at www.albion.capital/funds/AAEV under "Trust Information".
- Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value as tax reliefs are only obtainable on new subscription.

Interim management report

Introduction

I am pleased to report a total return of 5.8 pence per share for the six months to 30 September 2018 (30 September 2017: 2.3 pence per share). These results demonstrate continued positive developments within our investment portfolio after excellent results over the past two years (31 March 2018: 13.4 pence per share; 31 March 2017: 10.9 pence per share). The Manager, Albion Capital, has recently won two awards: Investor Allstars Venture Capital Trust of the Year 2018 and Growth Investor of the Year 2018. I am pleased to see its strong performance recognised by fellow industry peers.

Investment performance and progress

During the period our holding in Grapespot was sold to Oracle Corporation, realising £9.6 million and resulting in a 10 times return on original investment.

Particularly good progress was achieved by Quantexa, with an uplift of £2.1 million following a third party led funding round. In addition, the annual professional third party valuation of Radnor House School (Holdings) increased due to the strong performance of both the Twickenham school, which is close to its student capacity, and the Sevenoaks school, which now has a student roll of 430 children against 223 on acquisition in 2015 and with significant further capacity to grow. G.Network Communications also had an uplift in valuation during the period as a result of a further fundraising round which completed in October 2018. This will further expand their fibre optic broadband network in central London.

During the period, some £4.0 million was invested in new and existing companies. Investments in new companies included:

- £474,000 in Phrasee, which provides an AI platform that generates language to optimise marketing campaigns;
- £320,000 in Koru Kids, which provides an online marketplace connecting parents and nannies;
- £232,000 in Arecor, to fund the development of biopharmaceuticals, specialising in diabetes treatment;
- £210,000 in uMotif, which provides a patient engagement and data platform for use in medical observational research;
- £190,000 in Forward Clinical, a secure mobile communications and collaboration platform in healthcare; and
- £160,000 in ePatient Network (trading as Raremark), which provides an online community connecting people affected by rare diseases with up-to-date scientific information, community insights and medical research.

Significant follow on investments included: £961,000 in Sandcroft Avenue (PayAsUGym.com), a provider of flexible access to health and fitness clubs; and £400,000 in Locum's Nest, which provides a technology solution for the management of locum doctors for the NHS.

Results and dividends

On 30 September 2018, the net asset value was £64.3 million or 112.12 pence per share compared to £61.9 million or 109.46 pence per share on 31 March 2018. The total return before taxation was £3.3 million compared to £1.2 million for the six months to 30 September 2017.

As described in the Annual Report and Financial Statements for the year ended 31 March 2018, in light of the strong performance in recent years, the Directors increased the annual dividend target for the Company to 6 pence per share (previously 5 pence per share). A first dividend of 3 pence per share was paid to shareholders on 31 August 2018 to shareholders on the register on 3 August 2018.

In line with the new annual dividend target of 6 pence per share, the Directors declare a second dividend for the year of 3 pence per share payable on 28 February 2019 to shareholders on the register on 8 February 2019.

Risks & uncertainties

The outlook for the UK economy continues to be a key risk affecting your Company, in particular, the effect of the withdrawal of Britain from the European Union is difficult to quantify at this time.

The Company's investment risk is mitigated through a variety of processes, including investing in a diversified portfolio in terms of sector and stage of maturity and focusing on opportunities where it is believed growth can be resilient and sustainable.

Other principal risks and uncertainties remain unchanged and are as detailed on pages 14 and 15 in the Strategic report of the Annual Report and Financial Statements for the year ended 31 March 2018.

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, including the maintenance of sufficient resources for investment in new and existing portfolio companies and the continued payment of dividends to shareholders. 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.

Transactions with the Manager

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

Albion Capital agreed to reduce a proportion of its management fee relating to the investments made by the Company in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") by 0.75 per cent., which represents the management fee charged by OLIM. This avoids double counting of fees and resulted in a reduction of the management fee of £7,400. Further details of related party transactions can be found in note 11.

Albion VCTs Prospectus Top Up Offers 2018/19

The Company announced on 6 November 2018 that, subject to obtaining the requisite regulatory approval, it is the Company's intention to launch a prospectus top up offer to raise up to £6 million before issue costs, with a further over-allotment facility of £2 million, of new Ordinary shares for subscription in the 2018/19 and 2019/20 tax years. Full details of the offer will be contained in a prospectus that is expected to be published in early January 2019.

Outlook

We are encouraged by these interim results. We as a Board see the portfolio as being well balanced across a variety of growth sectors and with a number of businesses having the capability of significant further increase in value. We look forward to the full year results with confidence.

Maxwell Packe

Chairman

4 December 2018

Responsibility statement

The Directors, Maxwell Packe, Lord St John of Bletso, Lady Balfour of Burleigh, Christopher Burrows and Patrick Reeve, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 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

Maxwell Packe
Chairman
4 December 2018

Portfolio of investments

The following is a summary of investments as at 30 September 2018:

Fixed asset investments	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Radnor House School (Holdings) Limited	9.8	3,079	4,273	7,352	780
Egress Software Technologies Limited	10.9	2,052	2,588	4,640	–
Quantexa Limited	2.8	699	2,197	2,896	2,074
Bravo Inns II Limited	13.1	2,150	630	2,780	68
Mirada Medical Limited	15.1	1,054	1,418	2,473	(10)
Regenerco Renewable Energy Limited	12.5	1,261	713	1,974	62
Proveca Limited	9.4	905	996	1,901	(27)
G.Network Communications Limited	4.7	850	946	1,796	436
Earnside Energy Limited	8.7	1,394	326	1,720	47
Alto Prodotto Wind Limited	11.1	966	684	1,650	20
The Street by Street Solar Programme Limited	8.6	891	666	1,557	50
Greenerco Limited	28.6	907	607	1,514	(1)
Process Systems Enterprise Limited	4.0	406	1,040	1,446	178
DySIS Medical Limited	7.5	2,742	(1,344)	1,398	181
Sandcroft Avenue Limited (PayAsUGym.com)	7.1	1,274	50	1,324	–
Zift Channel Solutions Inc.	2.0	1,053	128	1,181	21
Convertr Media Limited	6.3	875	128	1,003	250
MPP Global Solutions Limited	3.2	950	–	950	–
The Ewell (Harley Street) Limited	7.3	917	–	917	–
MyMeds&Me Limited	7.6	720	113	833	(118)
Beddlestead Limited	8.1	800	(1)	799	(1)
Black Swan Data Limited	1.6	749	–	749	–
Oviva AG	3.7	642	6	648	(155)
Cisiv Limited	9.7	663	(32)	631	289
OmPrompt Holdings Limited	9.5	864	(280)	584	(133)
Panaseer Limited	2.3	405	156	561	–
memstar Limited	8.8	314	238	551	(96)
Locum's Nest Limited	5.1	500	30	530	30
Phrasee Limited	2.3	474	–	474	–
Bravo Inns Limited	8.4	755	(298)	457	9
Aridhia Informatics Limited	6.6	1,160	(741)	419	1
Secured by Design Limited	1.9	280	104	384	103
Oxsensis Limited	3.3	625	(253)	372	114
Abcodia Limited	5.6	953	(616)	337	(166)
Koru Kids Limited	2.6	320	–	320	–
AVESI Limited	5.5	179	83	262	10
InCrowd Sports Limited	2.7	231	22	253	–
Mi-Pay Group plc	6.3	1,504	(1,254)	250	13
Arecor Limited	1.4	232	–	232	–
uMotif Limited	1.3	210	–	210	–
Forward Clinical Limited	1.8	190	–	190	–
ePatient Network Limited (T/A Raremark)	1.8	160	–	160	–
Innovation Broking Group Limited	8.4	84	43	127	(1)
Healios Limited	1.0	100	–	100	–
MHS 1 Limited	1.2	83	(1)	82	–
Total fixed asset investments		37,622	13,365	50,987	4,028

*As adjusted for additions and disposals during the period.

Portfolio of investments continued

Total change in value of investments for the period	4,028
Movement in loan stock accrued interest	10
Unrealised gains on fixed asset investments	4,038
Realised gains on fixed asset investments	194
Unrealised gains on current asset investments	33
Total gains on investments as per Income statement	4,265

	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	2,600	(40)	2,560	33
Total current asset investments	2,600	(40)	2,560	33

*As adjusted for additions during the period.

The following is a summary of the fixed asset realisations for the period ended 30 September 2018:

	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain £'000	Gain/ (loss) on opening value £'000
Fixed asset realisations					
<u>Disposals:</u>					
Grapeshot Limited	1,026	9,451	9,639	8,613	188
<u>Loan stock repayments and other:</u>					
DySIS Medical Limited	545	618	630	85	12
MyMeds&Me Limited	306	420	412	106	(8)
Alto Prodotto Wind Limited	17	25	25	8	–
Greenenerco Limited	15	21	21	6	–
memsstar Limited	15	15	15	–	–
Escrow adjustments	–	–	2	2	2
Total fixed asset realisations	1,924	10,550	10,744	8,820	194

Condensed income statement

	Note	Unaudited six months ended 30 September 2018			Unaudited six months ended 30 September 2017			Audited year ended 31 March 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	4,265	4,265	–	1,794	1,794	–	9,205	9,205
Investment income	4	434	–	434	316	–	316	651	–	651
Investment management fee	5	(195)	(586)	(781)	(164)	(492)	(656)	(342)	(1,027)	(1,369)
Performance incentive fee	5	(125)	(375)	(500)	(31)	(93)	(124)	(275)	(825)	(1,100)
Other expenses		(128)	–	(128)	(120)	–	(120)	(241)	–	(241)
Return/(loss) on ordinary activities before taxation		(14)	3,304	3,290	1	1,209	1,210	(207)	7,353	7,146
Tax (charge)/credit on ordinary activities		–	–	–	–	–	–	–	–	–
Return/(loss) and total comprehensive income attributable to shareholders		(14)	3,304	3,290	1	1,209	1,210	(207)	7,353	7,146
Basic and diluted return/(loss) per share (pence)*	7	(0.02)	5.77	5.75	–	2.34	2.34	(0.39)	13.79	13.40

*excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2017 and the audited statutory accounts for the year ended 31 March 2018.

The accompanying notes on pages 14 to 19 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 2018 £'000	Unaudited 30 September 2017 £'000	Audited 31 March 2018 £'000
Fixed asset investments	50,987	42,035	52,436
Current assets			
Current asset investments	2,560	–	1,127
Trade and other receivables less than one year	1,256	1,673	105
Cash and cash equivalents	10,401	9,385	9,760
	14,217	11,058	10,992
Total assets	65,204	53,093	63,428
Payables: amounts falling due within one year			
Trade and other payables less than one year	(945)	(545)	(1,557)
Total assets less current liabilities	64,259	52,548	61,871
Equity attributable to equity holders			
Called up share capital	8 648	585	638
Share premium	29,996	23,706	28,945
Capital redemption reserve	104	104	104
Unrealised capital reserve	13,101	10,351	17,657
Realised capital reserve	8,750	2,052	890
Other distributable reserve	11,660	15,750	13,637
Total equity shareholders' funds	64,259	52,548	61,871
Basic and diluted net asset value per share (pence)*	112.12	101.62	109.46

*excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2017 and the audited statutory accounts for the year ended 31 March 2018.

The accompanying notes on pages 14 to 19 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 4 December 2018 and were signed on its behalf by:

Maxwell Packe
Chairman
Company number: 05990732

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 April 2018	638	28,945	104	17,657	890	13,637	61,871
Return/(loss) and total comprehensive income for the period	-	-	-	4,071	(767)	(14)	3,290
Transfer of previously unrealised gains on disposal of investments	-	-	-	(8,627)	8,627	-	-
Issue of equity	10	1,072	-	-	-	-	1,082
Cost of issue of equity	-	(21)	-	-	-	-	(21)
Purchase of own shares for treasury	-	-	-	-	-	(247)	(247)
Dividends paid	-	-	-	-	-	(1,716)	(1,716)
As at 30 September 2018	648	29,996	104	13,101	8,750	11,660	64,259
As at 1 April 2017	580	23,225	104	9,910	1,284	17,355	52,458
Return/(loss) and total comprehensive income for the period	-	-	-	1,535	(326)	1	1,210
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,094)	1,094	-	-
Issue of equity	5	491	-	-	-	-	496
Cost of issue of equity	-	(10)	-	-	-	-	(10)
Purchase of own shares for treasury	-	-	-	-	-	(312)	(312)
Dividends paid	-	-	-	-	-	(1,294)	(1,294)
As at 30 September 2017	585	23,706	104	10,351	2,052	15,750	52,548
As at 1 April 2017	580	23,225	104	9,910	1,284	17,355	52,458
Return/(loss) and total comprehensive income for the year	-	-	-	8,852	(1,499)	(207)	7,146
Transfer of previously unrealised gains on disposal of investments	-	-	-	(1,105)	1,105	-	-
Issue of equity	58	5,845	-	-	-	-	5,903
Cost of issue of equity	-	(125)	-	-	-	-	(125)
Purchase of own shares for treasury	-	-	-	-	-	(800)	(800)
Dividends paid	-	-	-	-	-	(2,711)	(2,711)
As at 31 March 2018	638	28,945	104	17,657	890	13,637	61,871

*These reserves amount to £20,410,000 (30 September 2017: £17,802,000; 31 March 2018: £14,527,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 September 2018 £'000	Unaudited six months ended 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
Cash flow from operating activities			
Investment income received	361	283	581
Dividend income received	47	28	39
Deposit interest received	20	2	12
Investment management fee paid	(769)	(655)	(1,312)
Performance incentive fee paid	(1,100)	(255)	(255)
Other cash payments	(158)	(147)	(236)
UK corporation tax paid	–	–	–
Net cash flow from operating activities	(1,599)	(744)	(1,171)
Cash flow from investing activities			
Purchase of current asset investments	(1,400)	–	(1,200)
Purchase of fixed asset investments	(4,016)	(4,023)	(7,143)
Disposal of fixed asset investments	8,559	128	1,907
Net cash flow from investing activities	3,143	(3,895)	(6,436)
Cash flow from financing activities			
Issue of share capital	793	287	5,359
Cost of issue of equity	(2)	(2)	(3)
Dividends paid	(1,447)	(1,094)	(2,289)
Purchase of own shares (including costs)	(247)	(288)	(821)
Net cash flow from financing activities	(903)	(1,097)	2,246
Increase/(decrease) in cash and cash equivalents	641	(5,736)	(5,361)
Cash and cash equivalents at start of the period	9,760	15,121	15,121
Cash and cash equivalents at end of the period	10,401	9,385	9,760
Cash and cash equivalents comprise			
Cash at bank	10,401	9,385	9,760
Cash equivalents	–	–	–
Total cash and cash equivalents	10,401	9,385	9,760

Notes to the condensed Financial Statements

1. Accounting convention

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 International Private Equity and Venture Capital Valuation ("IPEVCV") Guidelines and further detail on the valuation techniques used are outlined 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, 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, 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.

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

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 expected 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 capital account to the extent that these relate to an enhancement in the value of 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 (tax loss) for the current period or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the financial reporting date. Taxation associated with capital expenses is applied in accordance with the SORP.

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

Reserves

Share premium

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 2013 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 buyback 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 2018 £'000	Unaudited six months ended 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
Unrealised gains on fixed asset investments	4,038	1,535	8,925
Unrealised gains/(losses) on current asset investments	33	–	(73)
Realised gains on fixed asset investments	194	259	353
	<u>4,265</u>	<u>1,794</u>	<u>9,205</u>

4. Investment income

	Unaudited six months ended 30 September 2018 £'000	Unaudited six months ended 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
Income recognised on investments			
Interest from loans to portfolio companies	367	286	599
Dividends	47	28	39
Bank deposit interest	20	2	13
	<u>434</u>	<u>316</u>	<u>651</u>

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 September 2018 £'000	Unaudited six months ended 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
Investment management fee charged to revenue	195	164	342
Investment management fee charged to capital	586	492	1,027
Performance incentive fee charged to revenue	125	31	275
Performance incentive fee charged to capital	375	93	825
	<u>1,281</u>	<u>780</u>	<u>2,469</u>

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 pages 12 and 13 of the Annual Report and Financial Statements for the year ended 31 March 2018.

During the period, services of a total value of £781,000 (30 September 2017: £656,000; 31 March 2018: £1,369,000) 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 disclosed within payables was £397,000 (30 September 2017: £328,000; 31 March 2018: £385,000). For the period to 30 September 2018, a provisional performance incentive fee of £500,000 has been accrued, however any performance incentive fee is calculated and only payable based on year end results (30 September 2017: £124,000; 31 March 2018: £1,100,000).

Patrick Reeve is the Managing Partner of the Manager, Albion Capital Group LLP. During the period, the Company was charged £6,000 including VAT by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (30 September 2017: £12,000; 31 March 2018: £24,000). At the financial period end, the amount due to Albion Capital Group LLP in respect of these services disclosed as payables was £nil (30 September 2017: £6,000; 31 March 2018: £6,000). From 30 June 2018, Patrick Reeve has agreed to waive his fees for his services as a Director.

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 a total of 362,908 shares in the Company as at 30 September 2018.

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 2018, fees of £112,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2017: £135,000; 31 March 2018: £232,000).

During the period, an amount of £1,400,000 (30 September 2017: £nil; 31 March 2018: £1,200,000) was invested in the SVS Albion OLIM UK Equity Income Fund ("OUEIF") as part of the Company's management of surplus liquid funds. The total amount invested in OUEIF as at 30 September 2018 was £2,600,000 (30 September 2017: £nil; 31 March 2018: £1,200,000). To avoid double charging, Albion Capital 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 resulted in a reduction of the management fee of £7,400 (30 September 2017: £nil; 31 March 2018: £2,000).

6. Dividends

	Unaudited six months ended 30 September 2018 £'000	Unaudited six months ended 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
Dividend of 2.50p per share paid on 31 August 2017	–	1,294	1,294
Dividend of 2.50p per share paid on 28 February 2018	–	–	1,417
Dividend of 3.00p per share paid on 31 August 2018	1,716	–	–
	<u>1,716</u>	<u>1,294</u>	<u>2,711</u>

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2019 of 3.00 pence per share which will be paid on 28 February 2019 to shareholders on the register on 8 February 2019. This is expected to amount to approximately £1,719,000.

7. Basic and diluted return per share

	Unaudited six months ended 30 September 2018			Unaudited six months ended 30 September 2017			Audited year ended 31 March 2018		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Return/(loss) attributable to equity shares (£'000)	(14)	3,304	3,290	1	1,209	1,210	(207)	7,353	7,146
Weighted average shares in issue (excluding treasury shares)	57,255,901			51,809,944			53,333,261		
Return/(loss) attributable per Ordinary share (pence) (basic and diluted)	(0.02)	5.77	5.75	–	2.34	2.34	(0.39)	13.79	13.40

The weighted average number of shares is calculated excluding treasury shares of 7,509,443 (30 September 2017: 6,753,443; 31 March 2018: 7,270,443).

There are no convertible instruments, derivatives or contingent share agreements in issue for the Company, therefore no dilution affecting 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

	Unaudited 30 September 2018 £'000	Unaudited 30 September 2017 £'000	Audited 31 March 2018 £'000
Allotted, called up and fully paid			
64,821,000 Ordinary shares of 1 penny each (30 September 2017: 58,462,876; 31 March 2018: 63,794,152)	648	585	638

Voting rights

57,311,557 shares of 1 penny each (net of treasury shares) (30 September 2017: 51,709,433; 31 March 2018: 56,523,709).

In the six months to 30 September 2018, the Company purchased 239,000 shares (30 September 2017: 324,000; 31 March 2018: 841,000) to be held in treasury at a nominal value of £2,390 and at a cost of £247,000 (30 September 2017: £312,000; 31 March 2018: £800,000), representing 0.4 per cent. of the shares in issue (excluding treasury shares) as at 30 September 2018.

The Company holds a total of 7,509,443 shares (30 September 2017: 6,753,443; 31 March 2018: 7,270,443) in treasury representing 11.6 per cent. of the shares in issue as at 30 September 2018.

Under the terms of the Dividend Reinvestment Scheme Circular (dated 26 November 2009), the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 September 2018:

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 August 2018	244,513	2	110.24	268	108.00

Under the terms of the Albion VCT's Prospectus Top Up Offers 2017/18, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 September 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)
5 April 2018	575,386	6	104.00	584	95.50
11 April 2018	77,861	1	103.00	79	94.00
11 April 2018	5,603	–	103.50	5	94.00
11 April 2018	123,485	1	104.00	125	94.00
	<u>782,335</u>	<u>8</u>		<u>793</u>	

Notes to the condensed Financial Statements continued

9. Commitments and contingencies

As at 30 September 2018, the Company had financial commitments totalling £58,000 (30 September 2017: £nil; 31 March 2018: £nil), which are expected to be invested during the next 12 months as follows:

- £58,000 in Arecor Limited.

There are no contingencies or guarantees of the Company as at 30 September 2018 (30 September 2017: £nil; 31 March 2018: £nil).

10. Post balance sheet events

Since 30 September 2018, the Company has had the following post balance sheet events:

- Investment of £400,000 in SVS Albion OLIM UK Equity Income Fund; and
- Investment of £136,000 in Cisiv Limited.

11. Related party transactions

During the period, a total of £1,400,000 (30 September 2017: £nil; 31 March 2018: £1,200,000) was invested into the SVS Albion OLIM UK Equity Income Fund ("OUEIF"), a fund managed by OLIM Limited which is part of the Albion Capital group. The total amount invested in OUEIF as at 30 September 2018 was £2,600,000 (30 September 2017: £nil; 31 March 2018: £1,200,000).

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

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 March 2018, and is detailed on pages 61 and 62 of those accounts. The Company has adequate cash and liquid resources and has no borrowing. The portfolio of investments is diversified in terms of sector, and the major cash outflows of the Company (namely investments, share buy-backs and dividends) 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 September 2018 and 30 September 2017, and is unaudited. The information for the year ended 31 March 2018 does not constitute statutory accounts within the terms of section 435 of the Companies Act 2006 but is derived from the 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 statements 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/AAEV, where the Report can be accessed from the 'Financial Reports and Circulars' section.





aic

The Association of
Investment Companies

A member of The Association
of Investment Companies



This report is printed on Amadeus offset a totally recycled paper produced using 100% recycled waste at a mill that has been awarded the ISO 14001 certificate for environmental management. The pulp is bleached using a totally chlorine free (TCF) process.