

Albion Enterprise VCT PLC



Half-yearly Financial Report
(unaudited) for the
six months to 30 September 2020

2020



AlbionCapital



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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 The Dowager 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 Benjamin Street London, EC1M 5QL
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater 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 1 Temple Avenue London, EC4Y 0HA
Legal adviser	Bird & Bird LLP 12 New Fetter Lane London, EC4A 1JP
Depository	Ocorian (UK) Limited Level 5, 20 Fenchurch Street London, EC3M 3BY

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 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 AAEVchair@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 Enterprise VCT PLC (the “Company”) is a Venture Capital Trust and the investment objective of the Company is to provide investors with a regular 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	5 February 2021
Payment date for second dividend	26 February 2021
Financial year end	31 March

Financial summary

	Unaudited six months ended 30 September 2020 (pence per share)	Unaudited six months ended 30 September 2019 (pence per share)	Audited year ended 31 March 2020 (pence per share)
Opening net asset value	106.54	117.76	117.76
Capital return/(loss)	5.85	4.52	(6.31)
Revenue return/(loss)	(0.20)	0.31	0.61
Total return/(loss)	5.65	4.83	(5.70)
Dividends paid	(2.70)	(3.00)	(6.00)
Impact from share capital movements	0.06	(0.17)	0.48
Net asset value	109.55	119.42	106.54

Total shareholder value to 30 September 2020:

(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
31 March 2019	6.00
31 March 2020	6.00

Dividends paid in the six months to 30 September 2020 2.70

Total dividends paid to 30 September 2020

53.55

Net asset value as at 30 September 2020

109.55

Total shareholder value to 30 September 2020

163.10

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2021, of 2.74 pence per share to be paid on 26 February 2021 to shareholders on the register on 5 February 2021.

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.

Interim management report

Introduction

Despite the impact of the coronavirus (Covid-19) on the economy and the way we live, we are pleased to report a total return of 5.65 pence per share for the six months to 30 September 2020 (30 September 2019: 4.83 pence per share). Since the Company's year end many of our portfolio companies have demonstrated resilient growth, providing products and services that are both innovative and necessary, even in these uncertain times. During this period a number of our portfolio companies have raised further investment at uplifted valuations.

Valuations and results

The net effect of the Board's portfolio revaluation at 30 September 2020 has been an overall gain of £4.5 million. The key movements in the period include: a £2.5 million uplift in the valuation of Quantexa following a £50 million externally led fundraising; a £1.0 million uplift in Proveca as a result of strong sales across Europe; and £0.7 million uplift in Aridhia Informatics, a healthcare analytics company which is trading well.

Inevitably some of our portfolio companies are still impacted by Covid-19, which has resulted in reduced valuations. One such company is Mirada Medical, a medical imaging software company which uses deep learning to help clinicians plan radiation treatment. Its value reduced by £1.9 million due to the current difficulties selling to overstretched hospitals.

Similarly, our investment in the SVS Albion OLIM UK Equity Income Fund has been negatively impacted by the Covid-19 driven falls of UK quoted equities. Given the negative outlook for the UK Equity Income sector, the Board took the decision to dispose of this investment post period end with the intention of redeploying the funds into innovative growth companies where the Company is seeing resilient growth. This has resulted in a disappointing £0.9 million loss on cost, after accounting for dividends received and reduction in management fees over the life of the investment. An unrealised loss was reported in the prior year, consequently we are now reporting a small uplift reflecting a modest market recovery in the current period.

Shortly after the period end, our holding in Clear Review was sold, realising a profit of £0.3 million and generating a return of 2.1 times cost. During our short involvement, the Company scaled rapidly, becoming a leading provider of employee performance management and engagement software.

The net asset value of the Company increased from £72.5 million or 106.54 pence per share on 31 March 2020, to £74.3 million or 109.55 pence per share on 30 September 2020.

Dividend

A first dividend of 2.70 pence per share was paid on 28 August 2020. The Board has declared a second dividend of 2.74 pence per share payable on 26 February 2021, to shareholders on the register on 5 February 2021. This is in line with the new variable dividend policy, outlined in the Annual Report and Financial Statements, of targeting an annual dividend yield of around 5%. The Company continues to offer a Dividend Reinvestment Scheme whereby shareholders can elect to receive dividends in the form of new shares.

Investment activity

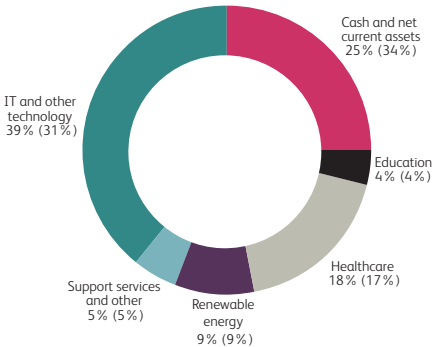
£3.7 million was invested in new and existing companies since 31 March. Investments in new companies included:

- £564,000 in The Voucher Market Limited (trading as WeGift), a cloud platform that enables corporates to purchase digital gift cards and to distribute them to employees and customers; and
- £234,000 in TransFICC Limited, a provider of a connectivity solution, connecting financial institutions with trading venues via a single API.

Follow on investments included £1.4m in Quantexa, to aid enterprises detecting financial crime, resulting in a significant valuation uplift; £348,000 in Phrasee, which is an AI platform that optimises digital marketing campaigns; and £294,000 in Oxsensis, a manufacturer of industrial sensors for use in ultra-high temperature environments.

Interim management report continued

Split of investment portfolio by sector



Comparatives for 31 March 2020 are shown in brackets
Source: Albion Capital Group LLP

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% 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. Details of related party transactions can be found in note 11.

Risks & uncertainties

The wide reaching implications arising from the Covid-19 crisis is the key risk facing the Company, including its impact on the UK and Global economies. There are also the potential implications of the UK's departure from the European Union which may adversely affect our underlying portfolio companies. The Manager is continually assessing the exposure to such risks for each portfolio company, and where possible appropriate actions are being implemented.

Other principal risks and uncertainties remain unchanged and are detailed on pages 17 and 18 of the Annual Report and Financial Statements for the year ended 31 March 2020. The impact of the coronavirus (Covid-19) pandemic has created heightened uncertainty but has not changed the nature of these risks. The Board considers that the processes for mitigating these risks remain appropriate.

Albion VCTs Top Up Offers

Details of the final allotment of shares under the Albion VCTs Prospectus Top Up Offers 2019/20 can be found in note 8. The Offer was fully subscribed and the Board elected not to exercise the over allotment facility, having raised £6 million.

The proceeds are being used to nurture our existing portfolio companies as they grow, but also to support existing portfolio companies during the current pandemic. The proceeds raised also enable us to take advantage of new and exciting investment opportunities as they arise.

Board composition

Lord St John of Bletso will retire from the board on 30 November 2020. Anthony has acted as Senior Independent Director and Chairman of our Audit Committee. We shall miss his contributions to the Board deliberations and wish him well in the future.

Outlook

Whilst Covid-19 continues to have a far-reaching impact on society and the economy, I am encouraged by the resilience of the portfolio. It is the Board's priority to support the existing portfolio companies and to make new investments in businesses that can innovate and grow despite the healthcare crisis. It has been an encouraging six months, but I am mindful that the effects of the pandemic have not yet fully played out. Despite this, the Company and its portfolio are well positioned to continue to generate long term value to shareholders.

Maxwell Packe

Chairman

20 November 2020

Responsibility statement

The Directors, Maxwell Packe, Lord St John of Bletso, The Dowager 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 2020 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
20 November 2020

Portfolio of investments

Fixed asset investments	% voting rights	As at 30 September 2020			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Egress Software Technologies Limited	9.9	3,365	5,936	9,301	–
Quantexa Limited	3.5	2,108	4,738	6,846	2,541
Proveca Limited	9.6	1,512	3,262	4,774	1,010
Radnor House School (TopCo) Limited	9.4	1,729	1,213	2,942	119
Regenerco Renewable Energy Limited	12.5	1,261	875	2,136	154
The Street by Street Solar Programme Limited	8.6	891	751	1,642	33
G.Network Communications Limited	2.7	273	1,206	1,479	–
Alto Prodotto Wind Limited	11.1	868	591	1,459	21
Oviva AG	3.4	1,021	418	1,439	167
Greenenerco Limited	28.6	797	572	1,369	35
Phrased Limited	3.6	822	286	1,108	286
The Ewell (Harley Street) Limited	7.3	1,054	–	1,054	183
Convertr Media Limited	6.2	992	29	1,021	5
Oxsensis Limited	4.3	1,011	(8)	1,003	227
OmPrompt Holdings Limited	10.7	994	(32)	962	–
MPP Global Solutions Limited	2.9	950	–	950	–
Aridhia Informatics Limited	6.4	1,244	(332)	912	747
Mirada Medical Limited	14.2	1,487	(613)	874	(1,852)
Black Swan Data Limited	2.5	1,051	(241)	810	(241)
Elliptic Enterprises Limited	1.0	792	–	792	–
Concirrus Limited	1.5	755	–	755	–
Panaseer Limited	2.3	547	204	751	–
Cantab Research Limited (T/A Speechmatics)	1.7	696	–	696	–
MyMeds&Me Limited	7.6	720	(35)	685	–
Beddlestead Limited	8.1	966	(294)	672	(40)
uMotif Limited	2.6	578	61	639	171
DySIS Medical Limited	5.0	2,742	(2,136)	606	32
Koru Kids Limited	2.5	541	57	598	–
The Voucher Market Limited (T/A WeGift)	1.5	564	–	564	–
SBD Automotive Limited	1.9	280	278	558	75
Clear Review Limited	2.1	256	272	528	272
Cisiv Limited	9.0	799	(285)	514	130
InCrowd Sports Limited	3.9	499	(11)	488	(7)
Locum's Nest Limited	4.8	500	(31)	469	49
ePatient Network Limited (T/A Raremark)	3.4	384	74	458	90
Credit Kudos Limited	2.1	454	–	454	–
Avora Limited	2.4	430	–	430	–
Abcodia Limited	5.6	953	(616)	337	–
memsstar Limited	8.8	201	136	337	50
Limitless Technology Limited	2.1	320	–	320	–
Sandcroft Avenue Limited (T/A Hussle)	6.8	1,370	(1,068)	302	173
Areco Limited	1.5	290	–	290	–
Healios Limited	0.9	270	–	270	–
AVESI Limited	5.5	179	82	261	6
TransFICC Limited	1.6	234	–	234	–
Innovation Broking Group Limited	8.4	84	148	232	41
Zift Channel Solutions Inc.	2.0	1,053	(852)	201	(127)

Portfolio of investments continued

Fixed asset investments	% voting rights	As at 30 September 2020			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Imandra Inc.	1.3	121	–	121	–
MHS 1 Limited	1.2	83	(10)	73	–
Forward Clinical Limited (T/A Pando)	1.8	219	(147)	72	(1)
Symetrica Limited	0.2	55	(11)	44	12
MI-Pay Group PLC	5.8	39	–	39	–
Total fixed asset investments		41,404	14,467	55,871	4,361

Current asset investments	As at 30 September 2020			Change in value for the period* £'000
	Cost £'000	Cumulative movement in value £'000	Value £'000	
SVS Albion OLIM UK Equity Income Fund	4,990	(1,392)	3,602	101
Total current asset investments	4,990	(1,392)	3,602	101

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

Investment realisations in the period to 30 September 2020	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain £'000	Gain on opening value £'000
<u>Loan stock repayments and other:</u>					
Greenenerco Limited	27	38	38	11	–
Alto Prodotto Wind Limited	25	38	38	13	–
memstar Limited	19	19	19	–	–
Escrow adjustments**	–	–	37	37	37
Total fixed asset realisations	71	95	132	61	37

**Fair value movements on deferred consideration from previously disposed investments.

Total change in value of investments for the period	4,361
Movement in loan stock accrued interest	2
Unrealised gains on fixed asset investments	4,363
Realised gains on fixed asset investments	37
Unrealised gains on current asset investments	101
Total gains on investments as per Income statement	4,501

Condensed income statement

	Note	Unaudited six months ended 30 September 2020			Unaudited six months ended 30 September 2019			Audited year ended 31 March 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	–	4,501	4,501	–	3,860	3,860	–	(2,884)	(2,884)
Investment income	4	266	–	266	659	–	659	1,157	–	1,157
Investment management fee	5	(171)	(513)	(684)	(220)	(661)	(881)	(396)	(1,189)	(1,585)
Performance incentive fee	5	–	–	–	(105)	(314)	(419)	–	–	–
Other expenses		(231)	–	(231)	(138)	–	(138)	(363)	–	(363)
Return/(loss) on ordinary activities before taxation		(136)	3,988	3,852	196	2,885	3,081	398	(4,073)	(3,675)
Tax on ordinary activities		–	–	–	–	–	–	–	–	–
Return/(loss) and total comprehensive income attributable to shareholders		(136)	3,988	3,852	196	2,885	3,081	398	(4,073)	(3,675)
Basic and diluted return/(loss) per share (pence)*	7	(0.20)	5.85	5.65	0.31	4.52	4.83	0.61	(6.31)	(5.70)

*adjusted for treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2019 and the audited statutory accounts for the year ended 31 March 2020.

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 2020 £'000	Unaudited 30 September 2019 £'000	Audited 31 March 2020 £'000
Fixed asset investments	55,871	62,616	47,859
Current assets			
Current asset investments	3,602	4,948	3,501
Trade and other receivables less than one year	178	2,681	182
Cash and cash equivalents	15,542	6,947	21,510
	19,322	14,576	25,193
Total assets	75,193	77,192	73,052
Payables: amounts falling due within one year			
Trade and other payables less than one year	(913)	(988)	(499)
Total assets less current liabilities	74,280	76,204	72,553
Equity attributable to equity holders			
Called up share capital	8 775	720	770
Share premium	44,679	38,285	44,183
Capital redemption reserve	104	104	104
Unrealised capital reserve	13,075	21,789	8,636
Realised capital reserve	13,601	7,857	14,052
Other distributable reserve	2,046	7,449	4,808
Total equity shareholders' funds	74,280	76,204	72,553
Basic and diluted net asset value per share (pence)*	109.55	119.42	106.54

*excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2019 and the audited statutory accounts for the year ended 31 March 2020.

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 20 November 2020 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 2020	770	44,183	104	8,636	14,052	4,808	72,553
Return/(loss) and total comprehensive income for the period	-	-	-	4,464	(476)	(136)	3,852
Transfer of previously unrealised gains on disposal of investments	-	-	-	(25)	25	-	-
Issue of equity	5	502	-	-	-	-	507
Cost of issue of equity	-	(6)	-	-	-	-	(6)
Purchase of own shares for treasury	-	-	-	-	-	(790)	(790)
Dividends paid	-	-	-	-	-	(1,836)	(1,836)
As at 30 September 2020	775	44,679	104	13,075	13,601	2,046	74,280
As at 1 April 2019	650	30,255	104	18,672	8,089	9,618	67,388
Return/(loss) and total comprehensive income for the period	-	-	-	3,599	(714)	196	3,081
Transfer of previously unrealised gains on disposal of investments	-	-	-	(482)	482	-	-
Issue of equity	70	8,229	-	-	-	-	8,299
Cost of issue of equity	-	(199)	-	-	-	-	(199)
Purchase of own shares for treasury	-	-	-	-	-	(454)	(454)
Dividends paid	-	-	-	-	-	(1,911)	(1,911)
As at 30 September 2019	720	38,285	104	21,789	7,857	7,449	76,204
As at 1 April 2019	650	30,255	104	18,672	8,089	9,618	67,388
Return/(loss) and total comprehensive income for the year	-	-	-	(5,996)	1,923	398	(3,675)
Transfer of previously unrealised gains on disposal of investments	-	-	-	(4,040)	4,040	-	-
Issue of equity	120	14,270	-	-	-	-	14,390
Cost of issue of equity	-	(342)	-	-	-	-	(342)
Purchase of own shares for treasury	-	-	-	-	-	(1,252)	(1,252)
Dividends paid	-	-	-	-	-	(3,956)	(3,956)
As at 31 March 2020	770	44,183	104	8,636	14,052	4,808	72,553

*These reserves amount to £15,647,000 (30 September 2019: £15,306,000; 31 March 2020: £18,860,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Cash flow from operating activities			
Investment income received	211	735	1,001
Dividend income received	42	106	310
Deposit interest received	16	27	71
Investment management fee paid	(710)	(832)	(1,648)
Performance incentive fee paid	–	(1,332)	(1,332)
Other cash payments	(268)	(160)	(307)
UK corporation tax paid	–	–	–
Net cash flow from operating activities	(709)	(1,456)	(1,905)
Cash flow from investing activities			
Purchase of current asset investments	–	(1,190)	(1,194)
Purchase of fixed asset investments	(3,745)	(2,978)	(5,340)
Disposal of fixed asset investments	139	2,340	16,656
Net cash flow from investing activities	(3,606)	(1,828)	10,122
Cash flow from financing activities			
Issue of share capital	205	7,807	13,432
Cost of issue of equity	(17)	(2)	(17)
Dividends paid	(1,535)	(1,603)	(3,311)
Purchase of own shares (including costs)	(306)	(412)	(1,252)
Net cash flow from financing activities	(1,653)	5,790	8,852
(Decrease)/increase in cash and cash equivalents	(5,968)	2,506	17,069
Cash and cash equivalents at start of the period	21,510	4,441	4,441
Cash and cash equivalents at end of the period	15,542	6,947	21,510

Notes to the condensed Financial Statements

1. Accounting convention

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 and further detail on the valuation techniques used are outlined in note 2 below.

This 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 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 the Company has an investment in an early stage enterprise, the price of a recent investment is often the most appropriate approach to determining fair value.
- 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.

Notes to the condensed Financial Statements *continued*

2. Accounting policies (continued)

Other current assets and payables

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

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 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.

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 equity and debt. The Company invests 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 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Unrealised gains/(losses) on fixed asset investments	4,363	3,484	(4,661)
Unrealised gains/(losses) on current asset investments	101	115	(1,335)
Realised gains on fixed asset investments	37	261	3,112
	<u>4,501</u>	<u>3,860</u>	<u>(2,884)</u>

4. Investment income

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Interest from loans to portfolio companies	209	526	776
Dividends	42	106	310
Bank deposit interest	15	27	71
	<u>266</u>	<u>659</u>	<u>1,157</u>

5. Investment management fee and performance incentive fee

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Investment management fee charged to revenue	171	220	396
Investment management fee charged to capital	513	661	1,189
Performance incentive fee charged to revenue	–	105	–
Performance incentive fee charged to capital	–	314	–
	<u>684</u>	<u>1,300</u>	<u>1,585</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 page 14 of the Annual Report and Financial Statements for the year ended 31 March 2020.

During the period, services of a total value of £757,000 (30 September 2019: £881,000; 31 March 2020: £1,659,000) were purchased by the Company from Albion Capital Group LLP; this includes £684,000 (30 September 2019: £881,000; 31 March 2020: £1,585,000) of management fee and £73,000 (30 September 2019: £nil; 31 March 2020: £74,000) of administration fee. At the financial period end, the amount due to Albion Capital Group LLP in respect of these services disclosed within payables was £359,000 (30 September 2019: £460,000; 31 March 2020: £384,000). For the period to 30 September 2020, no performance incentive fee has been accrued (30 September 2019: £419,000; 31 March 2020: £nil).

During the period, the Company was not charged by Albion Capital Group LLP in respect of Patrick Reeve's services as a Director (30 September 2019: £nil; 31 March 2020: £nil).

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 468,349 shares in the Company as at 30 September 2020.

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 2020, fees of £89,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2019: £103,000; 31 March 2020: £186,000).

The Company entered into an offer agreement relating to the Offers which were open in the period with the Company's investment manager Albion Capital Group LLP, pursuant to which Albion Capital receives a fee of 2.5 per cent. of the gross proceeds of the Offers, and out of which Albion Capital will pay the costs of the Offers.

As part of the Company's management of surplus liquid funds, there was a current asset investment held during this period; SVS Albion OLIM UK Equity Income Fund ("OUEIF"). 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 £13,900 (30 September 2019: £16,100; 31 March 2020: £32,000).

6. Dividends

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Dividend of 3.00p per share paid on 30 August 2019	–	1,911	1,911
Dividend of 3.00p per share paid on 28 February 2020	–	–	2,045
Dividend of 2.70p per share paid on 28 August 2020	1,836	–	–
	1,836	1,911	3,956

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2021 of 2.74 pence per share which will be paid on 26 February 2021 to shareholders on the register on 5 February 2021. This is expected to amount to approximately £1,858,000.

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

	Unaudited six months ended 30 September 2020			Unaudited six months ended 30 September 2019			Audited year ended 31 March 2020		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Return/(loss) attributable to equity shares (£'000)	(136)	3,988	3,852	196	2,885	3,081	398	(4,073)	(3,675)
Weighted average shares in issue (adjusting for treasury shares)	68,156,133			63,802,980			64,506,507		
Return/(loss) attributable per Ordinary share (pence) (basic and diluted)	(0.20)	5.85	5.65	0.31	4.52	4.83	0.61	(6.31)	(5.70)

The weighted average number of shares is calculated after adjusting for treasury shares of 9,717,736 (30 September 2019: 8,231,443; 31 March 2020: 8,945,314).

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

Allotted, called up and fully paid shares of 1 penny each	Unaudited 30 September 2020	Unaudited 30 September 2019	Audited 31 March 2020
Number of shares	77,523,553	72,041,984	77,044,547
Nominal value of allotted shares (£'000)	775	720	770
Voting rights (number of shares net of treasury shares)	67,805,817	63,810,541	68,099,233

In the six months to 30 September 2020, the Company purchased 772,422 shares (30 September 2019: 410,000; 31 March 2020: 1,123,871) to be held in treasury at a nominal value of £7,724 and at a cost of £790,000 (30 September 2019: £454,000; 31 March 2020: £1,252,000), representing 1.1 % of the shares in issue (excluding treasury shares) as at 30 September 2020.

The Company holds a total of 9,717,736 shares (30 September 2019: 8,231,443; 31 March 2020: 8,945,314) in treasury representing 12.5 % of the shares in issue as at 30 September 2020.

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 2020:

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)
28 August 2020	286,480	3	103.84	296	98.00

Under the terms of the Albion VCTs Prospectus Top Up Offers 2019/20, the following new Ordinary shares of nominal value 1 penny each were allotted during the period to 30 September 2020:

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)
30 April 2020	90,192	1	108.20	96	95.00
30 April 2020	102,334	1	109.30	109	95.00
	192,526	2		205	

9. Commitments and contingencies

As at 30 September 2020, the Company had no financial commitments in respect of investments (30 September 2019: £nil; 31 March 2020: £139,000).

There were no contingencies or guarantees of the Company as at 30 September 2020 (30 September 2019: £nil; 31 March 2020: £nil).

Notes to the condensed Financial Statements continued

10. Post balance sheet events

The following are the post balance sheet events since 30 September 2020:

- Our holding in SVS Albion OLIM UK Equity Income Fund was exited with total proceeds (including dividends and management fees saved) of £4.11 million on cost of £4.99 million;
- Proceeds of £528,000 received from the sale of Clear Review Limited on cost of £256,000;
- Investment of £371,000 in a new portfolio company, Seldon Technologies Limited, a software company that enables enterprises to deploy Machine Learning models in production;
- Investment of £151,000 in an existing portfolio company, Limitless Technology Limited, a provider of a customer service platform powered by the crowd and Machine Learning technology;
- Investment of £134,000 in a new portfolio company, uMedeor Limited (trading as uMed), a middleware technology platform that enables life science organisations to conduct medical research programmes; and
- Investment of £110,000 in an existing portfolio company, Arecor Limited, which develops biopharmaceuticals through the application of a formulation technology platform.

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 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 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.

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 2020 and 30 September 2019, and is unaudited. The information for the year ended 31 March 2020 does not constitute statutory accounts within the terms of section 434 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.





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