

Albion Enterprise VCT PLC



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

2022



AlbionCapital



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Company information

Company name

Albion Enterprise VCT PLC (the “Company”)

Company number

05990732

Directors

M Packer, Chairman
C Burrows
P Latham
P H Reeve
R Whitlock

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 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 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

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 relevant 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	3 February 2023
Payment date for second dividend	28 February 2023
Financial year end	31 March

Financial summary

	Unaudited six months ended 30 September 2022 (pence per share)	Unaudited six months ended 30 September 2021 (pence per share)	Audited year ended 31 March 2022 (pence per share)
Opening net asset value	132.28	114.60	114.60
Capital (loss)/return	<i>(2.13)</i>	<i>18.04</i>	<i>23.78</i>
Revenue return/(loss)	<u>0.15</u>	<u>(0.94)</u>	<u>0.19</u>
Total (loss)/return	(1.98)	17.10	23.97
Dividends paid	(3.31)	(2.87)	(6.09)
Impact from share capital movements	<u>0.01</u>	<u>0.02</u>	<u>(0.20)</u>
Net asset value	127.00	128.85	132.28

pence per share

Total dividends paid to 30 September 2022	65.69
Net asset value on 30 September 2022	127.00
Total shareholder value to 30 September 2022	192.69

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

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2023, of 3.18 pence per share to be paid on 28 February 2023 to shareholders on the register on 3 February 2023.

Interim management report

Introduction

In the six months to 30 September 2022, the Company generated a total loss of 1.98 pence per share, representing a 1.5% decrease on the opening net asset value. After 12 months of growth last financial year (20.7% shareholder return for the year ended 31 March 2022), this relatively small decrease reflects the multiple headwinds which all enterprises currently face. Following the payment of the first interim dividend of 3.31 pence per share paid to shareholders on 31 August 2022, the net asset value ("NAV") at 30 September 2022 was 127.00 pence per share (31 March 2022: 132.28 pence per share). Despite the ongoing uncertainty resulting from rising interest rates, high levels of inflation and the war in Ukraine, our portfolio companies continue to show resilience through the underlying quality of their business offering.

Valuations and results

The total loss on investments for the six months to 30 September 2022 was £0.9 million (30 September 2021: gain of £15.8 million). The key upward movements in the period resulting from strong trading include: a £1.2 million increase in the valuation of Threadneedle Software Holdings (T/A Solidatus) and a £0.9 million increase in the valuation of Convertr Media.

The challenging economic environment has resulted in falling valuations in some technology and healthcare companies which has consequently led to some write-downs in our portfolio. The largest of these has been Black Swan Data (loss of £0.9 million), and Egress Software Technologies (loss of £0.7 million). Although Egress has been written down in line with falls in market multiples, we are encouraged that it continues to grow and has the potential to recover value in time.

Our top 3 portfolio companies now account for 29.3% of the Company's NAV (30 September 2021: 34.0%; 31 March 2022: 28.8%).

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

Dividends

In line with our dividend policy targeting a dividend around 5% of NAV per annum the Company paid a first interim dividend of 3.31 pence per share during the period to 30 September 2022 (30 September 2021: 2.87 pence per share). The Company will pay a second interim dividend for the financial year ending 31 March 2023 of 3.18 pence per share on 28 February 2023 to shareholders on the register on 3 February 2023, being 2.5% of the 30 September 2022 NAV.

This will bring the total dividends paid for the year ending 31 March 2023 to 6.49 pence per share, which equates to a 4.9% yield on the opening NAV of 132.28 pence per share.

Dividend Reinvestment Scheme ("DRIS")

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

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

Investment activity

During the period the Company has invested £4.7 million into new portfolio companies, comprising:

- £1.3 million into Toqio FinTech Holdings, a provider of embedded FinTech solutions;
- £0.9 million into PeakData, a provider of insights and analytics to pharmaceutical companies about therapeutic areas;
- £0.8 million into GX Molecular (T/A CS Genetics), a developer of single-cell sequencing solutions;
- £0.6 million into OutThink, a SaaS platform to measure and manage human risk for enterprises;

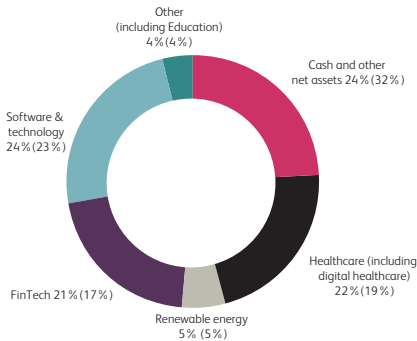
- £0.6 million into Neurofenix, a neurorehabilitation platform; and
- £0.5 million into Ophelos, an autonomous and ethical debt resolution platform.

A further £2.1 million was invested in supporting our existing portfolio companies to help them as they continue to grow, including £0.8 million into The Voucher Market (T/A WeGift), and £0.7 million into Gravitee TopCo (T/A Gravitee.io).

Investment portfolio by sector

The following pie chart shows the different sectors in which the Company's assets, at carrying value, were invested on 30 September 2022.

Split of investment portfolio by sector



Comparatives for 31 March 2022 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

The UK is experiencing its highest level of inflation in decades, rising interest rates, and uncertainty over the future course, and global impact, of Russia's invasion of Ukraine, in addition to the risks around Covid-19. Our investment portfolio, while concentrated principally in the technology and healthcare sectors, remains diversified in terms of both sub-sector and stage of maturity.

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Financial Statements for the year ended 31 March 2022. The current high levels of inflation and the war in Ukraine have created heightened uncertainty but have 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;
- 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 March 2022 on pages 16 to 18, copies of which are available on the Company's webpage on the Manager's website at

Interim management report continued

www.albion.capital/funds/AAEV under the 'Financial Reports and Circulars' section.

Albion VCTs Top Up Offers

Your Board, in conjunction with the boards of the other five VCTs managed by Albion Capital Group LLP, launched a prospectus top up offer of new Ordinary shares for subscription in the 2022/23 and 2023/24 tax years on 10 October 2022. The prospectus is available online at www.albion.capital/vct-hub/current-offers.

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

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

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

Prospects

Whilst disappointed with the small loss for the period, the Board remains encouraged by the prospects for our portfolio companies against a backdrop of multiple macroeconomic and geopolitical uncertainties and challenges. Our focus on technology and healthcare, thus minimising exposure to discretionary consumer expenditure, is designed to help the Company weather uncertain times. Importantly the Company has the cash resources to capitalise on exciting new investment opportunities being seen by the Manager and to support the existing portfolio.

Maxwell Packe

Chairman

7 December 2022

Responsibility statement

The Directors, Maxwell Packe, Christopher Burrows, Pippa Latham, Patrick Reeve and Rhodri Whitlock, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 September 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

Maxwell Packe
Chairman
7 December 2022

Portfolio of investments

Fixed asset investments	% voting rights	On 30 September 2022			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
Quantexa	2.5	2,108	12,422	14,530	–
Egress Software Technologies	9.9	3,365	9,197	12,562	(745)
Proveca	9.6	1,512	4,799	6,311	79
Oviva	2.8	2,601	2,716	5,317	(40)
Radnor House School (TopCo)	9.4	1,729	1,640	3,369	(47)
The Ewewell Group	6.1	1,477	1,405	2,882	15
Threadneedle Software Holdings (T/A Solidatus)	2.2	1,360	1,158	2,518	1,158
Cantab Research (T/A Speechmatics)	1.6	1,359	806	2,165	182
Regenerco Renewable Energy	12.5	1,261	807	2,068	22
Convertr Media	6.2	992	911	1,903	869
Gravitee TopCo (T/A Gravitee.io)	3.5	1,431	366	1,797	157
The Voucher Market (T/A WeGift)	2.2	1,396	327	1,723	327
Healios	4.0	1,134	522	1,656	–
The Street by Street Solar Programme	8.6	891	699	1,590	(30)
Aridhia Informatics	6.4	1,244	240	1,484	(41)
Panaseer	2.3	816	592	1,408	204
Elliptic Enterprises	0.9	1,219	175	1,394	(279)
NuvoAir Holdings	2.0	826	501	1,327	201
Toqio FinTech Holdings	1.8	1,279	45	1,324	45
Alto Prodotto Wind	11.1	753	457	1,210	(53)
Black Swan Data	4.2	1,967	(785)	1,182	(925)
TransFICC	2.6	938	223	1,161	–
Greenenerco	28.6	675	445	1,120	(45)
Locum's Nest	5.1	602	348	950	(71)
PeakData	1.9	862	78	940	78
Seldon Technologies	1.9	911	–	911	–
Beddlestead	8.1	966	(87)	879	(189)
uMotif	3.6	1,109	(268)	841	(135)
InCrowd Sports	3.8	588	247	835	73
GX Molecular (T/A CS Genetics)	2.7	786	–	786	–
Cisiv	8.7	799	(86)	713	(460)
Arecor Therapeutics	0.9	329	331	660	(340)
Koru Kids	2.5	674	(25)	649	(327)
OutThink	2.6	644	–	644	–
DySIS Medical	3.8	2,742	(2,150)	592	–
Neurofenix	2.7	552	–	552	–
Ophelos	2.0	526	–	526	–
Accelex Technology	2.9	517	–	517	–
Perchpeek	1.5	511	–	511	–
Oxsensis	5.1	1,151	(768)	383	(427)
Zift Channel Solutions	2.0	1,053	(698)	355	3
Brytlyt	1.8	341	–	341	–
Imandra	1.3	173	110	283	(163)
AVESI	5.5	179	59	238	1
Limitless Technology	1.8	471	(236)	235	(120)
Mirada Medical	5.0	1,487	(1,279)	208	21
uMedeor (T/A uMed)	1.3	201	1	202	1

Portfolio of investments continued

Fixed asset investments	% voting rights	On 30 September 2022			Change in value for the period* £'000
		Cost £'000	Cumulative movement in value £'000	Value £'000	
memsstar	8.9	192	(10)	182	(34)
Regulatory Genome Development	0.7	114	–	114	–
MHS 1	1.2	83	4	87	18
Symetrica	0.2	55	(11)	44	–
Forward Clinical (T/A Pando)	1.8	218	(215)	3	–
Concirus	1.6	830	(830)	–	(247)
Total fixed asset investments		51,999	34,183	86,182	(1,264)

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

Investment realisations in the period to 30 September 2022	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised gain/(loss) £'000	Gain/(loss) on opening value £'000
Disposals:					
Arecor Therapeutics	72	218	170	98	(48)
Abcodia	987	4	5	(982)	1
Avora	430	10	–	(430)	(10)
Sandcroft Avenue (T/A Hussle)	1,370	–	–	(1,370)	–
Loan stock repayments and other:					
Greenenerco	32	46	46	14	–
Alto Prodotto Wind	30	45	45	15	–
Escrow adjustments*	–	–	386	386	386
Total fixed asset realisations	2,921	323	652	(2,269)	329

*These comprise fair value movements on deferred consideration on previously disposed investments and expenses which are incidental to the purchase or disposal of an investment.

Total change in value of investments for the period	(1,264)
Movement in loan stock accrued interest	(87)
Unrealised losses on fixed asset investments sub-total	(1,351)
Realised gains in the current period	329
Finance income from the unwinding of discount on deferred consideration	150
Total losses on investments as per Income statement	(872)

Condensed income statement

	Note	Unaudited six months ended 30 September 2022			Unaudited six months ended 30 September 2021			Audited year ended 31 March 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	-	(872)	(872)	-	15,752	15,752	-	21,636	21,636
Investment income	4	553	-	553	297	-	297	886	-	886
Investment Manager's fees	5	(116)	(1,044)	(1,160)	(755)	(2,266)	(3,021)	(196)	(3,696)	(3,892)
Other expenses		(301)	-	(301)	(250)	-	(250)	(549)	-	(549)
Return/(loss) on ordinary activities before taxation		136	(1,916)	(1,780)	(708)	13,486	12,778	141	17,940	18,081
Tax on ordinary activities		-	-	-	-	-	-	-	-	-
Return/(loss) and total comprehensive income attributable to shareholders		136	(1,916)	(1,780)	(708)	13,486	12,778	141	17,940	18,081
Basic and diluted return/(loss) per share (pence)*	7	0.15	(2.13)	(1.98)	(0.94)	18.04	17.10	0.19	23.78	23.97

*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 September 2021 and the audited statutory accounts for the year ended 31 March 2022.

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 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
Fixed asset investments	86,182	80,897	80,842
Current assets			
Trade and other receivables	2,679	2,304	10,725
Cash and cash equivalents	26,008	15,758	29,552
	28,687	18,062	40,277
Total assets	114,869	98,959	121,119
Payables			
Trade and other payables less than one year	(828)	(2,911)	(2,704)
Total assets less current liabilities	114,041	96,048	118,415
Equity attributable to equity holders			
Called-up share capital	8 1,028	859	1,017
Share premium	9,606	54,009	8,278
Capital redemption reserve	–	104	–
Unrealised capital reserve	34,037	33,133	32,790
Realised capital reserve	14,253	12,619	17,416
Other distributable reserve	55,117	(4,676)	58,914
Total equity shareholders' funds	114,041	96,048	118,415
Basic and diluted net asset value per share (pence)*	127.00	128.85	132.28

*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 September 2021 and the audited statutory accounts for the year ended 31 March 2022.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 7 December 2022 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 2022	1,017	8,278	–	32,790	17,416	58,914	118,415
Return/(loss) and total comprehensive income for the period	–	–	–	(1,351)	(565)	136	(1,780)
Transfer of previously unrealised losses on disposal of investments	–	–	–	2,598	(2,598)	–	–
Issue of equity	11	1,366	–	–	–	–	1,377
Cost of issue of equity	–	(38)	–	–	–	–	(38)
Purchase of own shares for treasury	–	–	–	–	–	(964)	(964)
Dividends paid	–	–	–	–	–	(2,969)	(2,969)
As at 30 September 2022	1,028	9,606	–	34,037	14,253	55,117	114,041
As at 1 April 2021	852	53,258	104	17,538	14,728	(1,082)	85,398
Return/(loss) and total comprehensive income for the period	–	–	–	15,621	(2,135)	(708)	12,778
Transfer of previously unrealised gains on disposal of investments	–	–	–	(26)	26	–	–
Issue of equity	7	778	–	–	–	–	785
Cost of issue of equity	–	(27)	–	–	–	–	(27)
Purchase of own shares for treasury	–	–	–	–	–	(747)	(747)
Dividends paid	–	–	–	–	–	(2,139)	(2,139)
As at 30 September 2021	859	54,009	104	33,133	12,619	(4,676)	96,048
As at 1 April 2021	852	53,258	104	17,538	14,728	(1,082)	85,398
Return and total comprehensive income for the year	–	–	–	17,239	701	141	18,081
Transfer of previously unrealised gains on disposal of investments	–	–	–	(1,987)	1,987	–	–
Issue of equity	165	21,638	–	–	–	–	21,803
Cost of issue of equity	–	(544)	–	–	–	–	(544)
Reduction of share premium and capital redemption reserve	–	(66,074)	(104)	–	–	66,178	–
Purchase of own shares for treasury	–	–	–	–	–	(1,795)	(1,795)
Dividends paid	–	–	–	–	–	(4,528)	(4,528)
As at 31 March 2022	1,017	8,278	–	32,790	17,416	58,914	118,415

*Included within these reserves is an amount of £30,514,000 (30 September 2021: £7,943,000; 31 March 2022: £37,334,000) which is considered distributable. Over the next three years an additional £35,819,000 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 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
Cash flow from operating activities			
Investment income received	304	298	826
Dividend income received	117	–	–
Deposit interest received	45	1	3
Investment Manager's fees paid	(3,095)	(1,224)	(2,084)
Other cash payments	(362)	(271)	(503)
Net cash flow from operating activities	(2,991)	(1,196)	(1,758)
Cash flow from investing activities			
Purchase of fixed asset investments	(7,377)	(5,173)	(8,519)
Disposal of fixed asset investments	964	112	9,379
Net cash flow from investing activities	(6,413)	(5,061)	860
Cash flow from financing activities			
Issue of share capital	9,178	430	12,230
Cost of issue of equity	(18)	(16)	(19)
Dividends paid*	(2,446)	(1,792)	(3,806)
Purchase of own shares (including costs)	(854)	(1,036)	(2,384)
Net cash flow from financing activities	5,860	(2,414)	6,021
(Decrease)/increase in cash and cash equivalents	(3,544)	(8,671)	5,123
Cash and cash equivalents at start of the period	29,552	24,429	24,429
Cash and cash equivalents at end of the period	26,008	15,758	29,552

*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

2. Accounting policies (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 period ended 30 September 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; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Taxation

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

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

Share capital and reserves

Called-up share capital

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 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 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. (Losses)/gains on investments

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
Unrealised (losses)/gains on fixed asset investments	(1,351)	15,621	17,239
Realised gains on fixed asset investments	329	2	4,129
Finance income from deferred consideration	150	129	268
	<u>(872)</u>	<u>15,752</u>	<u>21,636</u>

4. Investment income

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
Loan stock interest	391	296	883
Dividend income	117	–	–
Bank deposit interest	45	1	3
	<u>553</u>	<u>297</u>	<u>886</u>

5. Investment Manager's fees

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
Investment management fee charged to revenue	116	227	196
Investment management fee charged to capital	1,044	680	1,762
Performance incentive fee charged to revenue	–	528	–
Performance incentive fee charged to capital	–	1,586	1,934
	<u>1,160</u>	<u>3,021</u>	<u>3,892</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 13 of the Annual Report and Financial Statements for the year ended 31 March 2022.

During the period, services of a total value of £1,276,000 (30 September 2021: £998,000; 31 March 2022: £2,156,000) were purchased by the Company from Albion Capital Group LLP; this includes £1,160,000 (30 September 2021: £907,000; 31 March 2022: £1,958,000) of management fee and £116,000 (30 September 2021: £91,000; 31 March 2022: £198,000) 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 £625,000 (30 September 2021: £428,000; 31 March 2022: £628,000). For the period to 30 September 2022, no performance incentive fee has been accrued, in line with the Management agreement (30 September 2021: £2,114,000; 31 March 2022: £1,934,000).

Notes to the condensed Financial Statements continued

5. Investment Manager's fees (continued)

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 2021: £nil; 31 March 2022: £nil).

Albion Capital Group LLP, its partners and staff (including Patrick Reeve) held a total of 696,257 shares in the Company on 30 September 2022.

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 2022, fees of £139,000 attributable to the investments of the Company were received pursuant to these arrangements (30 September 2021: £108,000; 31 March 2022: £177,000).

6. Dividends

	Unaudited six months ended 30 September 2022 £'000	Unaudited six months ended 30 September 2021 £'000	Audited year ended 31 March 2022 £'000
First dividend of 3.31p per share paid on 31 August 2022 (31 August 2021: 2.87p per share)	2,969	2,139	2,139
Second dividend of 3.22p per share paid on 28 February 2022	–	–	2,391
Unclaimed dividends	–	–	(2)
	2,969	2,139	4,528

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 31 March 2023 of 3.18 pence per share which will be paid on 28 February 2023 to shareholders on the register on 3 February 2023. This is expected to amount to approximately £3,004,000.

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

	Unaudited six months ended 30 September 2022		Unaudited six months ended 30 September 2021		Audited year ended 31 March 2022	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return/(loss) attributable to equity shares (£'000)	136	(1,916)	(708)	13,486	141	17,940
Weighted average shares in issue	89,944,537		74,745,677		75,440,864	
Return/(loss) per Ordinary share (pence)	0.15	(2.13)	(0.94)	18.04	0.19	23.78

The weighted average number of shares is calculated after adjusting for treasury shares of 12,967,934 (30 September 2021: 11,346,766; 31 March 2022: 12,195,568).

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 2022	Unaudited 30 September 2021	Audited 31 March 2022
Number of shares	102,766,464	85,891,086	101,711,805
Nominal value of allotted shares (£'000)	1,028	859	1,017
Voting rights (number of shares net of treasury shares)	89,798,530	74,544,320	89,516,237

During the period to 30 September 2022, the Company purchased 772,366 shares (30 September 2021: 633,346; 31 March 2022: 1,482,148) to be held in treasury at a nominal value of £7,724 and at a cost of £964,000. The total number of shares held in treasury on 30 September 2022 was 12,967,934 (30 September 2021: 11,346,766; 31 March 2022: 12,195,568) representing 12.6% of the shares in issue on 30 September 2022.

Under the terms of the Dividend Reinvestment Scheme Circular (dated 26 November 2009), the following new shares of nominal value 1 penny each were allotted during the period to 30 September 2022:

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 2022	410,130	4	126.89	503	120.50

Under the terms of the Albion VCTs Prospectus Top Up Offers 2021/22, the following new shares of nominal value 1 penny each were allotted during the period to 30 September 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)
11 April 2022	133,797	1	131.70	174	122.50
11 April 2022	17,745	–	132.40	23	122.50
11 April 2022	492,987	5	133.00	639	122.50
	<u>644,529</u>			<u>836</u>	

9. Commitments and contingencies

On 30 September 2022, the Company had no financial commitments in respect of investments (30 September 2021: £nil; 31 March 2022: £nil).

There were no contingencies or guarantees of the Company on 30 September 2022 (30 September 2021: £nil; 31 March 2022: £nil).

Notes to the condensed Financial Statements continued

10. Post balance sheet events

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

- Investment of £1,372,000 in a new portfolio company, an employee digital healthcare platform;
- Investment of £1,366,000 in an existing company, Healios, a provider of an online platform delivering family centric psychological care primarily to children and adolescents;
- Investment of £541,000 in a new portfolio company, an AI for code testing/writing platform;
- Investment of £450,000 in a new portfolio company, a veterinary engagement and communications platform;
- Investment of £360,000 in a new portfolio company, a bite-sized workplace learning platform; and
- Investment of £257,000 in a new portfolio company, a software platform automating revenue and customer forecasting.

The following new Ordinary shares of nominal value 1 penny each were allotted under the Albion VCTs Prospectus Top Up Offers 2022/23 after 30 September 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)
2 December 2022	1,144,527	11	129.00	1,454	120.50
2 December 2022	245,176	2	129.60	311	120.50
2 December 2022	3,289,782	33	130.30	4,180	120.50
	4,679,485			5,945	

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 70 of those accounts.

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

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 2022 and 30 September 2021, and is unaudited. The information for the year ended 31 March 2022 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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