

Half-yearly Financial Report
(unaudited) for the six months to
30 June 2016



Albion Technology & General VCT PLC

ALBIONVENTURES

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

Company information

Company number	04114310
Directors	Dr N E Cross, Chairman R Archibald M A Cordeiro M V H Rees-Mogg P H Reeve
Country of incorporation	United Kingdom
Legal form	Public Limited Company
Manager, company secretary, AIFM and registered office	Albion Ventures 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	Philip Hare & Associates LLP 1st Floor 4 Staple Inn London, WC1V 7QH
Legal adviser	Bird & Bird LLP 15 Fetter Lane London, EC4A 1JP

Albion Technology & General 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 5854 (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 Ventures LLP: Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm; Mon – Fri, calls may be recorded) Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk

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

Investment objective and policy

Albion Technology & General VCT PLC's (the "Company") investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of longer term capital growth.

This is achieved in two ways. Firstly, by controlling the Company's exposure to technology risk through ensuring that many of the companies in the non-technology portfolio have property as their major asset, with no external borrowings. Secondly, by balancing the investment portfolio by sector, so that those areas such as leisure and business services, which are susceptible to changes in consumer sentiment, are complemented by sectors with more predictable long term characteristics, such as healthcare and the environment.

The Company offers investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. The Company's investment portfolio is intended to be split approximately as follows:

- 40 per cent. in unquoted UK technology-related companies; and
- 60 per cent. in unquoted UK non-technology companies.

This split is subject to the availability of good quality new investments arising within the UK technology and non-technology sectors.

Background to the Company

The Company is a venture capital trust which raised £14.3 million in December 2000 and 2002, and raised a further £35.0 million during 2006 through the launch of a C share issue. The Company has raised a further £20.6m under the Albion VCTs Top Up Offers since January 2011.

On 15 November 2013, the Company acquired the assets and liabilities of Albion Income & Growth VCT PLC ("Income & Growth") in exchange for new shares in the Company ("the Merger"). Each Income & Growth shareholder received 0.7813 shares in the Company for each Income & Growth share that they held at the date of the Merger.

Financial calendar

Record date for fourth dividend for the year	7 October 2016
Payment of fourth dividend for the year	31 October 2016
Financial year end	31 December

Financial summary

	Unaudited six months ended 30 June 2016 (pence per share)	Unaudited six months ended 30 June 2015 (pence per share)	Audited year ended 31 December 2015 (pence per share)
Net asset value	69.22	79.19	73.92
Dividends paid	3.75	3.75	5.00
Revenue return	0.52	0.77	1.54
Capital loss	(1.66)	(0.69)	(5.58)

	Ordinary shares (pence per share) (i)	C shares (pence per share) (i)(ii)	Albion Income & Growth VCT PLC (pence per share) (i)(iii)
Total shareholder return to 30 June 2016			
Total dividends paid during the period ended:			
31 December 2001	1.00	–	–
31 December 2002	2.00	–	–
31 December 2003	1.50	–	–
31 December 2004	7.50	–	–
31 December 2005	9.00	–	0.65
31 December 2006	8.00	0.50	2.60
31 December 2007	8.00	2.50	3.45
31 December 2008	16.00	4.50	3.50
31 December 2009	–	1.00	3.00
31 December 2010	8.00	3.00	3.00
31 December 2011	5.00	3.80	3.50
31 December 2012	5.00	3.90	3.50
31 December 2013	5.00	3.90	3.50
31 December 2014	5.00	3.90	3.90
31 December 2015	5.00	3.90	3.90
30 June 2016	3.75	2.92	2.93
Total dividends paid to 30 June 2016	89.75	33.82	37.43
Net asset value as at 30 June 2016	69.22	53.85	54.08
Total shareholder return to 30 June 2016	158.97	87.67	91.51

In addition to the dividends paid above, the Board declared a fourth dividend for the year ending 31 December 2016 of 1.25 pence per Ordinary share to be paid on 31 October 2016 to shareholders on the register as at 7 October 2016.

Notes:

(i) Excludes tax benefits upon subscription.

(ii) The C shares were converted into Ordinary shares on 31 March 2011. The net asset value per share and all dividends paid subsequent to the conversion of the C shares to the Ordinary shares are multiplied by the conversion factor of 0.7779 in respect of the C shares' return, in order to give an accurate picture of the shareholder value since launch relating to the C shares.

(iii) Albion Income & Growth VCT PLC was merged with Albion Technology & General VCT PLC on 15 November 2013. The net asset value per share and all dividends paid subsequent to the merger of the Income & Growth shares to the Ordinary shares are multiplied by the issue ratio of 0.7813 in respect of the Income & Growth shares' return, in order to give an accurate picture of the shareholder value since launch relating to the Income & Growth shares. Prior to the merger, Albion Income & Growth VCT PLC had a financial year end of 30 September and as such, the above dividends per share relate to the relevant period.

Interim management report

Introduction

The results for Albion Technology & General VCT PLC for the six months to 30 June 2016, showed a negative return of 1.1 pence per share. Net asset value at 30 June 2016, was 69.2 pence per share, reflecting the negative return and the 3.75 pence per share dividends paid for the year to date. This compares to 73.9 pence per share net asset value at 31 December 2015.

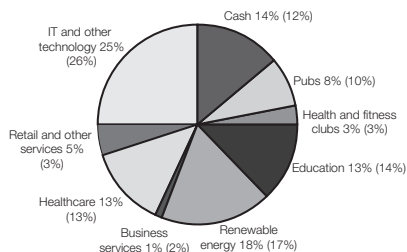
Performance and portfolio update

These disappointing results, on top of the negative return of 4.0 pence per share for the year ended 31 December 2015, reflect the continued need for the portfolio repositioning which began in 2014. The negative return for the six month period was driven principally by a decline in the share price of the AiM quoted Mi-Pay, a further cautious view of Blackbay, and provisions against deferred consideration due on investments sold last year. The disposal programme of the pre-2009 investments continues, with the assets within the Charnwood Pub Company now sold and discussions continuing on the sale of three further companies.

Elsewhere within the portfolio, however, there has been positive performance, with Exco Intouch (remote medical monitoring) moving strongly into profit, while Proveca (paediatric drugs) has now gained regulatory approval for its first medicine. Investments in two new companies have been made during the period, both of which should result in further investment as the companies prove themselves and grow. These are Black Swan Data (which provides data analysis to support corporate decision making) and InCrowd Sports (which provides inter-active services for sporting events) and where we are backing the management behind our previous successful investment in Opta Sports Data. Amongst our other investments, we provided a further £890,000 to Earnside Energy, to double the capacity of its anaerobic digestion plant.

The two key metrics that we are watching in order to effect the turnaround in performance are firstly, the proportion of the Company's assets in investments made before 2009, with a target of 30 per cent. by the year end; this currently stands at 35 per cent. Secondly, we are looking to increase the proportion of companies making an operating profit, and this now stands at 77 per cent. up from 73 per cent. at 31 December 2015. It is also worth bearing in mind that ungeared, asset-based investments account for 53 per cent. of the portfolio, whose revenue-generating capabilities support the income generated by the portfolio.

Portfolio split as at 30 June 2016



Risks, uncertainties and prospects

The prospective exit of the UK from the EU has had a negative effect on consumer and business confidence and it would be wise to prepare for a renewed economic slowdown in the UK. Meanwhile, global growth is muted and many countries are close to recession. Overall investment risk, however, is mitigated through a variety of processes, including our policies of first ensuring that the Company has a first charge over portfolio companies' assets wherever possible, and second of aiming to achieve balance in the portfolio through the inclusion of sectors that are less exposed to the business and consumer cycles.

Other principal risks and uncertainties remain unchanged and are as detailed on pages 13 to 15 of the Annual Report and Financial Statements for the year ended 31 December 2015.

Discount management and share buy-backs

It remains the Board's primary objective to maintain sufficient resources for investment in existing and new portfolio companies and for the continued payment of dividends to shareholders. Thereafter, it is still the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interest. In order to ensure that this condition is satisfied, the Company will limit the sum available for buy-backs for the 6 month period to 31 December 2016 to £1m. 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.

Interim management report (continued)

Albion VCTs Top Up Offers

The Company was pleased to announce on 23 March 2016 that it had reached its £6m limit under the Albion VCTs Prospectus Top Up Offers 2015/2016 which was fully subscribed and closed.

The proceeds of the Offer are being used to provide further resources to the Company at a time when a number of attractive new investment opportunities are being seen.

Transactions with the Manager

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

Results and dividends

As at 30 June 2016, the net asset value per Ordinary share was 69.2 pence (30 June 2015: 79.2 pence; 31 December 2015: 73.9 pence) largely reflecting the uncovered dividend. Dividends are paid on a quarterly basis, the next payment being 1.25 pence per share on 31 October 2016, to those shareholders on the register at 7 October 2016.

It is hoped that the programme for repositioning the investment portfolio, which began in 2014, will be largely complete by the end of this year and, at that point, we would aim to carry out a re-assessment of the Company's prospects and its ability to generate the returns that shareholders have every right to expect. In the meantime, the difficult headwinds in the UK and global economies will not help matters, though the strength of many of our businesses, and their ability to target sectors which continue to show growth even in a tougher broader environment, gives us some cause for optimism over the medium term.

Dr N E Cross

Chairman

11 August 2016

Responsibility statement

The Directors, Dr. Neil Cross, Robin Archibald, Mary Anne Cordeiro, Modwenna Rees-Mogg and Patrick Reeve, are responsible for preparing the Half-yearly Financial Report. In preparing these condensed Financial Statements for the period to 30 June 2016 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", gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as required by DTR 4.2.4;
- (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.

By order of the Board

Dr N E Cross

Chairman

11 August 2016

Portfolio of investments

The following is a summary of the technology fixed asset investments as at 30 June 2016:

Technology investments	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Process Systems Enterprise Limited	13.3	2,160	1,795	3,955	289
Blackbay Limited	23.5	4,213	(1,094)	3,119	(338)
Mi-Pay Group plc	21.6	4,163	(2,190)	1,973	(359)
memsstar Limited	30.1	1,322	407	1,729	(61)
Mirada Medical Limited	14.6	859	742	1,601	(30)
Exco Intouch Limited	3.5	580	737	1,317	474
sparesFinder Limited	12.0	613	396	1,009	–
DySIS Medical Limited	8.9	1,785	(782)	1,003	(195)
Oxsensis Limited	13.9	1,696	(744)	952	–
Relayware Limited	3.0	895	13	908	5
AMS Sciences Limited	41.7	2,016	(1,112)	904	(231)
Aridhia Informatics Limited	5.1	811	(219)	592	7
Proveca Limited	5.4	354	237	591	164
Cisiv Limited	7.4	574	(4)	570	(115)
MyMeds&Me Limited	3.3	260	107	367	(31)
Grapeshot Limited	1.9	329	29	358	–
Egress Software Technologies Limited	2.0	200	130	330	37
Abcodia Limited	3.5	319	(32)	287	(108)
Black Swan Data Limited	0.7	210	–	210	–
OmPrompt Holdings Limited	1.6	200	6	206	1
Palm Tree Technology Limited	0.5	320	(156)	164	–
Panaseer Limited	2.2	110	–	110	–
ComOps Limited	1.0	68	26	94	32
InCrowd Sports Limited	1.9	84	–	84	–
Sandcroft Avenue Limited	0.6	50	5	55	–
Elements Software Limited	3.3	19	(19)	–	(19)
Total technology investments		24,210	(1,722)	22,488	(478)

* As adjusted for additions and disposals during the period.

Portfolio of investments (continued)

The following is a summary of the non-technology fixed asset investments as at 30 June 2016:

Non-technology investments	% voting rights	Cost £'000	Cumulative movement in value £'000	Value £'000	Change in value for the period* £'000
Radnor House School (Holdings) Limited	15.3	5,721	2,543	8,264	(2)
Bravo Inns II Limited	15.1	2,639	114	2,753	96
Chonais River Hydro Limited	3.8	2,169	300	2,469	7
Earnside Energy Limited	12.7	2,059	198	2,257	75
Bravo Inns Limited	28.8	2,411	(557)	1,854	(19)
Gharagain River Hydro Limited	6.7	1,526	265	1,791	(66)
The Weybridge Club Limited	25.2	3,869	(2,138)	1,731	(63)
The Charnwood Pub Company Limited	22.5	2,048	(486)	1,562	(25)
The Street by Street Solar Programme Limited	8.1	895	317	1,212	22
Regenerco Renewable Energy Limited	7.9	822	203	1,025	(15)
The Q Garden Company Limited	33.4	1,405	(402)	1,003	50
Alto Prodotto Wind Limited	6.9	692	261	953	41
Masters Pharmaceuticals Limited	5.5	452	367	819	(11)
Hilson Moran Holdings Limited	6.2	308	367	675	(140)
Infinite Ventures (Goathill) Limited	9.6	400	105	505	105
Premier Leisure (Suffolk) Limited	25.8	454	(15)	439	1
Erin Solar Limited	15.7	440	(9)	431	–
Albion Investment Properties Limited	22.6	434	(50)	384	6
AVESI Limited	8.0	259	59	318	(11)
Harvest AD Limited	0.0	210	–	210	–
Greenenerco Limited	3.1	110	63	173	5
CSS Group Limited	10.0	579	(438)	141	20
Dickson Financial Services Limited	6.0	60	–	60	–
Total non-technology investments		29,962	1,067	31,029	76
Total investments		54,172	(655)	53,517	(402)

* As adjusted for additions and disposals during the period.

Portfolio of investments (continued)

Total change in value of investments for the period	(402)
Movement in loan stock accrued interest	(77)
Unrealised losses on fixed asset investments	(479)
Realised losses on fixed asset investments (per the table below)	(544)
Total losses on investments as per income statement	(1,023)

	Cost £'000	Opening carrying value £'000	Disposal proceeds £'000	Total realised (loss)/gain £'000	Loss on opening value £'000
Fixed asset realisations					
Silent Herdsman Holdings Limited	402	362	360	(42)	(2)
Relayware Limited (<i>loan stock repayment & equity part disposal</i>)	255	255	255	–	–
Hilson Moran Holdings Limited (<i>loan stock repaid & redemption premium</i>)	21	29	29	8	–
The Street by Street Solar Programme Limited (<i>loan stock repayment</i>)	1	2	2	1	–
AVESI Limited (<i>loan stock repayment</i>)	1	1	1	–	–
Escrow adjustments	–	–	(542)	(542)	(542)
Total	680	649	105	(575)	(544)

Condensed income statement

		Unaudited six months ended 30 June 2016			Unaudited six months ended 30 June 2015			Audited year ended 31 December 2015		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	–	(1,023)	(1,023)	–	(98)	(98)	–	(3,684)	(3,684)
Investment income	4	881	–	881	1,097	–	1,097	2,165	–	2,165
Investment management fees	5	(183)	(549)	(732)	(205)	(613)	(818)	(386)	(1,157)	(1,543)
Other expenses		(139)	–	(139)	(120)	–	(120)	(239)	–	(239)
Return/(loss) on ordinary activities before tax		559	(1,572)	(1,013)	772	(711)	61	1,540	(4,841)	(3,301)
Tax (charge)/credit on ordinary activities		(102)	102	–	(143)	143	–	(267)	235	(32)
Return/(loss) and total comprehensive income attributable to shareholders		457	(1,470)	(1,013)	629	(568)	61	1,273	(4,606)	(3,333)
Basic and diluted return/(loss) per share (pence)*	7	0.52	(1.66)	(1.14)	0.77	(0.69)	0.08	1.54	(5.58)	(4.04)

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2015 and the audited statutory accounts for the year ended 31 December 2015.

The accompanying notes on pages 15 to 20 form an integral part of this Half-yearly Financial Report.

The total column of this Condensed income statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with The Association of Investment Companies' Statement of Recommended Practice.

There is no other comprehensive income other than the results for the periods disclosed above. Accordingly a Statement of comprehensive income is not required.

The difference between the reported return/(loss) on ordinary activities before tax and the historical profit/(loss) is due to the fair value movements on investments.

Condensed balance sheet

	Note	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Fixed assets investments		53,517	63,436	52,711
Current assets				
Trade and other receivables less than one year		896	751	1,982
Cash and cash equivalents		8,987	2,655	7,509
		9,883	3,406	9,491
Total assets		63,400	66,842	62,202
Creditors: amounts falling due within one year				
Trade and other payables less than one year		(484)	(474)	(411)
Total assets less current liabilities		62,916	66,368	61,791
Equity attributable to equityholders				
Called up share capital	8	1,004	908	919
Share premium		46,423	39,339	40,171
Capital redemption reserve		28	28	28
Unrealised capital reserve		(872)	(1,046)	(424)
Realised capital reserve		12,207	11,361	13,229
Other distributable reserve		4,126	15,778	7,868
Total equity shareholders' funds		62,916	66,368	61,791
Basic and diluted net asset value per share (pence)*		69.22	79.19	73.92

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 June 2015 and the audited statutory accounts for the year ended 31 December 2015.

The accompanying notes on pages 15 to 20 form an integral part of this Half-yearly Financial Report.

These Financial Statements were approved by the Board of Directors and authorised for issue on 11 August 2016 and were signed on its behalf by

Dr N E Cross

Chairman

Company number: 04114310

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
1 January 2016	919	40,171	28	(424)	13,229	7,868	61,791
(Loss)/return and total comprehensive income for the period	–	–	–	(479)	(991)	457	(1,013)
Transfer of previously unrealised losses on disposal of investments	–	–	–	31	(31)	–	–
Purchase of shares for treasury	–	–	–	–	–	(874)	(874)
Issue of equity	85	6,411	–	–	–	–	6,496
Cost of issue of equity	–	(159)	–	–	–	–	(159)
Dividends paid	–	–	–	–	–	(3,325)	(3,325)
As at 30 June 2016	1,004	46,423	28	(872)	12,207	4,126	62,916
1 January 2015	840	33,917	28	(632)	11,515	19,218	64,886
Return/(loss) and total comprehensive income for the period	–	–	–	7	(575)	629	61
Transfer of previously unrealised gains on disposal of investments	–	–	–	(421)	421	–	–
Purchase of shares for treasury	–	–	–	–	–	(1,005)	(1,005)
Issue of equity	68	5,574	–	–	–	–	5,642
Cost of issue of equity	–	(152)	–	–	–	–	(152)
Dividends paid	–	–	–	–	–	(3,064)	(3,064)
As at 30 June 2015	908	39,339	28	(1,046)	11,361	15,778	66,368
1 January 2015	840	33,917	28	(632)	11,515	19,218	64,886
(Loss)/return and total comprehensive income for the period	–	–	–	(1,632)	(2,974)	1,273	(3,333)
Transfer of previously unrealised losses on disposal of investments	–	–	–	1,840	(1,840)	–	–
Purchase of shares for treasury	–	–	–	–	–	(1,973)	(1,973)
Issue of equity	79	6,429	–	–	–	–	6,508
Cost of issue of equity	–	(175)	–	–	–	–	(175)
Transfer from other distributable reserve to realised capital reserve	–	–	–	–	6,528	(6,528)	–
Dividends paid	–	–	–	–	–	(4,122)	(4,122)
As at 31 December 2015	919	40,171	28	(424)	13,229	7,868	61,791

*Included within these reserves is an amount of £15,461,000 (30 June 2015: £26,093,000; 31 December 2015: £20,673,000) which is considered distributable.

Condensed statement of cash flows

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Cash flow from operating activities			
Loan stock income received	729	894	1,949
Deposit interest received	37	21	35
Dividend income received	50	74	85
Investment management fees paid	(696)	(915)	(1,742)
Other cash payments	(131)	(150)	(261)
Net cash flow from operating activities	(11)	(76)	66
Cash flow from investing activities			
Purchase of fixed asset investments	(1,855)	(5,141)	(7,622)
Disposal of fixed asset investments	1,196	5,643	13,381
Net cash flow from investing activities	(659)	502	5,759
Cash flow from financing activities			
Issue of ordinary share capital	5,869	4,491	5,832
Cost of issue of equity	(3)	(1)	(11)
Dividends paid	(2,852)	(2,705)	(3,613)
Purchase of own shares (including costs)	(866)	(1,005)	(1,973)
Net cash flow from financing activities	2,148	780	235
Increase in cash and cash equivalents	1,478	1,206	6,060
Cash and cash equivalents at start of period	7,509	1,449	1,449
Cash and cash equivalents at end of period	8,987	2,655	7,509
Cash and cash equivalents comprise:			
Cash at bank and in hand	8,987	2,655	7,509
Cash equivalents	—	—	—
Total cash and cash equivalents	8,987	2,655	7,509

Notes to the condensed Financial Statements

1. Basis of preparation

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 2014 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 IPEVCV Guidelines and further detail on the valuation techniques used are outlined below.

The half-yearly 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.

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 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.

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

Notes to the condensed Financial Statements (continued)

Investment income

Unquoted equity income

Dividend income from investments is included in revenue in the period in which the dividend is paid or approved by the portfolio company.

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 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 fees 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:

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

Performance incentive fee

Any performance incentive fee will be allocated between Other distributable and Realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

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 account

This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to the Other distributable reserve.

Capital redemption reserve

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

Unrealised capital reserve

Increases and decreases in the valuation of investments held at the 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.

Other distributable reserve

The Special reserve, Treasury share reserve and the Revenue reserve were combined in 2012 to form a single reserve named Other distributable reserve.

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

Dividends

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

Notes to the condensed Financial Statements (continued)

3. Losses on investments

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Unrealised (losses)/gains on fixed asset investments	(479)	6	(1,632)
Realised losses on fixed asset investments	(544)	(104)	(2,052)
	<u>(1,023)</u>	<u>(98)</u>	<u>(3,684)</u>

4. Investment income

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Income recognised on investments			
Loan stock interest and other fixed returns	788	1,001	2,042
UK dividend income	50	73	85
Bank deposit interest	43	23	38
	<u>881</u>	<u>1,097</u>	<u>2,165</u>

All of the Company's income is derived from operations based in the United Kingdom.

5. Investment management fees

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Investment management fee charged to revenue	183	205	386
Investment management fee charged to capital	549	613	1,157
	<u>732</u>	<u>818</u>	<u>1,543</u>

Further details of the Management agreement under which the investment management fee is paid are given in the Strategic report on page 12 of the Annual Report and Financial Statements for the year ended 31 December 2015.

During the period, services for a total value of £732,000 (30 June 2015: £818,000; 31 December 2015: £1,543,000) were purchased by the Company from Albion Ventures LLP. At the financial period end, the amount due to Albion Ventures LLP in respect of these services was £384,000 (30 June 2015: £412,000; 31 December 2015: £310,000). The total annual running costs of the Company are capped at an amount equal to 2.75 per cent. (reduced from 3.0 per cent. in 2015 to help improve the performance of the Company and increase the net income) of the Company's net assets, with any excess being met by Albion by way of a reduction in management fees.

During the period, the Company was not charged by Albion Ventures LLP in respect of Patrick Reeve's services as a Director (30 June 2015 and 31 December 2015: nil).

Albion Ventures LLP, the Manager, holds 22,384 Ordinary shares in the Company.

Albion Ventures LLP is, from time to time, eligible to receive transaction fees and Directors' fees from portfolio companies. During the period to 30 June 2016, fees of £88,000 attributable to the investments of the Company were received pursuant to these arrangements (30 June 2015: £181,000; 31 December 2015: £273,000).

Notes to the condensed Financial Statements (continued)

6. Dividends

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Dividend of 1.25p per Ordinary share paid on 9 February 2015	–	979	979
Dividend of 1.25p per Ordinary share paid on 30 April 2015	–	1,050	1,050
Dividend of 1.25p per Ordinary share paid on 30 June 2015	–	1,035	1,035
Dividend of 1.25p per Ordinary share paid on 30 October 2015	–	–	1,058
Dividend of 1.25p per Ordinary share paid on 29 January 2016	1,045	–	–
Dividend of 1.25p per Ordinary share paid on 29 April 2016	1,146	–	–
Dividend of 1.25p per Ordinary share paid on 30 June 2016	1,134	–	–
	3,325	3,064	4,122

The Directors have declared a dividend of 1.25 pence per Ordinary share (total approximately £1,136,000) payable on 31 October 2016, to shareholders on the register as at 7 October 2016.

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

Return/(loss) per share has been calculated on 88,695,736 Ordinary shares excluding treasury shares (30 June 2015: 81,245,092; 31 December 2015: 82,538,109) being the weighted average number of shares in issue for the period.

There are no convertible instruments, derivatives or contingent share agreements in issue, and therefore no dilution effecting the return per share. The basic return per share is therefore the same as the diluted return per share.

8. Share capital

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Allotted, called up and fully paid			
100,426,980 Ordinary shares of 1 penny each			
(30 June 2015: 90,804,030; 31 December 2015: 91,872,004)	1,004	908	919

Voting rights

90,894,910 Ordinary shares of 1 penny each (net of treasury shares) (30 June 2015: 83,808,960; 31 December 2015: 83,589,934).

During the period the Company purchased 1,250,000 Ordinary shares to be held in treasury (30 June 2015: 1,330,000; 31 December 2015: 2,617,000) at a cost of £874,000 including stamp duty (30 June 2015: £1,005,000; 31 December 2015: £1,973,000), leaving a balance of 9,532,070 Ordinary shares in treasury (30 June 2015: 6,995,070; 31 December 2015: 8,282,070) which represents 9.5 per cent. of the issued share capital as at 30 June 2016.

Notes to the condensed Financial Statements (continued)

8. Share capital (continued)

Under the terms of the dividend reinvestment scheme, the following Ordinary shares of nominal value 1 penny each were allotted during the period to 30 June 2016:

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)
29 January 2016	186,693	2	75.86	140	73.25
29 April 2016	232,412	2	71.42	164	71.00
30 June 2016	238,967	2	69.58	165	67.00
	658,072	6		469	

Under the terms of the Albion VCTs Prospectus Top Up Offers 2015/2016, the following Ordinary shares of nominal value 1 penny each were allotted during the period to 30 June 2016:

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)
29 January 2016	2,651,878	27	77.50	2,014	73.25
29 January 2016	1,207,352	12	77.90	917	73.25
31 March 2016	3,793,157	38	75.00	2,760	73.00
6 April 2016	184,763	2	74.20	134	73.00
6 April 2016	9,604	-	74.60	7	73.00
6 April 2016	50,150	-	75.00	37	73.00
	7,896,904	79		5,869	

9. Commitments and contingencies

As at 30 June 2016, the Company had the following financial commitments in respect of investments:

- DySIS Medical Limited; £216,000
- Proveca Limited; £22,000

There are no contingencies or guarantees of the Company as at 30 June 2016 (30 June 2015 and 31 December 2015: nil).

10. Post balance sheet events

Since 30 June 2016, the Company has completed the following material transactions:

- Investment of £410,000 in Secured by Design Limited;
- Investment of £216,000 in DySIS Medical Limited; and
- Investment of £165,000 in Oviva AG.

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's assessment of liquidity risk remains unchanged since the last Annual Report and Financial Statements for the year ended 31 December 2015 and is detailed on page 56 of those accounts. The Company has adequate cash and liquid resources. 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 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.

Notes to the condensed Financial Statements (continued)

13. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 435 of the Companies Act 2006 for the periods ended 30 June 2016 and 30 June 2015 and is unaudited. The information for the year ended 31 December 2015, does not constitute statutory accounts within the terms of section 435 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which were unqualified and which have been delivered to the Registrar of Companies. The Auditor reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

14. Publication

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

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