

Half-yearly Financial Report
(unaudited) for the six months to
30 September 2009

09

Albion Venture Capital Trust PLC

ALBION VENTURES

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Company information

Company number	3142609
Directors	David Watkins MBA (Harvard), Chairman (US citizen) J M B L Kerr ACMA J G T Thornton MBA, FCA J Warren ACCA
Company secretary and registered office	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF
Investment manager	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF
Registrars	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA
Custodian	Capita Trust Company Limited Phoenix House 7th Floor 18 King William Street London EC4N 7HE
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Legal advisers	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA

Albion Venture Capital Trust PLC is a member of the Association of Investment Companies.

Shareholder information	For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars Limited: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am – 5.30pm Mon-Fri) Email: ssd@capitaregistrars.com Website: www.capitaregistrars.com For enquiries relating to the performance of the Fund, please contact Albion Ventures LLP: Tel: 020 7601 1850 Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk
IFA information	Independent Financial Advisors with questions, please contact Albion Ventures LLP: Tel: 08442 579 722 (calls cost 4p per minute plus network extras, lines are open 9.00am – 5.30pm Mon-Fri) Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk

Investment objectives

Albion Venture Capital Trust PLC (the "Company") is a venture capital trust which raised a total of £39.7 million through an issue of Ordinary Shares in the spring of 1996 and through an issue of C Shares in the following year. The C Shares merged with the Ordinary Shares in 2001. The Company offers tax-paying investors substantial tax benefits at the time of investment, on payment of dividends and on the ultimate disposal of the investment. Its investment strategy is to minimise the risk to investors whilst maintaining an attractive yield. This is achieved as follows:

- qualifying unquoted investments are predominantly in specially-formed companies which provide a high level of asset backing for the capital value of the investment;
- Albion Venture Capital Trust PLC invests alongside selected partners with proven experience in the sectors concerned;
- investments are normally structured as a mixture of equity and loan stock. The loan stock represents the majority of the finance provided and is secured on the assets of the investee company. Funds managed or advised by Albion Ventures LLP typically own 50 per cent. of the equity of the investee company;
- other than the loan stock issued to funds managed or advised by Albion Ventures LLP, investee companies do not normally have external borrowings; and
- a clear strategy for the realisation of each qualifying unquoted investment within five years, or shortly thereafter, is identified from the outset.

Financial calendar

Record date for second dividend	4 December 2009
Payment date for second dividend	6 January 2010
Financial year end	31 March 2010

Financial highlights

	Unaudited six months ended 30 September 2009 (pence per share)	Unaudited six months ended 30 September 2008 (pence per share)	Audited year ended 31 March 2009 (pence per share)
Net asset value per Ordinary share	81.90	100.00	85.30
Dividends paid per Ordinary share	2.50	5.00	10.00
Revenue return per Ordinary share	1.13	2.20	3.30
Capital return per Ordinary share	(2.03)	(7.20)	(18.30)

	Ordinary shares (pence per share)	C shares (pence per share)
Total shareholder net asset value return to 30 September 2009		
Total dividends paid during the year ended:		
	31 March 1997	2.00
	31 March 1998	5.20
	31 March 1999	11.05
	31 March 2000	3.00
	31 March 2001	8.55
	31 March 2002	7.60
	31 March 2003	7.70
	31 March 2004	8.20
	31 March 2005	9.75
	31 March 2006	11.75
	31 March 2007	10.00
	31 March 2008	10.00
	31 March 2009	10.00
Total dividends paid for the six months to:	30 September 2009	2.50
	107.30	95.75
Total dividends paid to 30 September 2009		
Net asset value as at 30 September 2009	81.90	81.90
Total shareholder net asset value return to 30 September 2009	189.20	177.65

In addition to the dividends summarised above, the Board has declared a second dividend for the year to 31 March 2010, of 2.50 pence per share to be paid on 6 January 2010 to shareholders on the register as at 4 December 2009.

Notes

- *Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit. The dividends for the year to 31 March 1999 were maximised in order to take advantage of this tax credit.*
- *A capital dividend of 2.55 pence paid in the year to 31 March 2000 enabled the Ordinary shares and the C shares to merge on an equal basis.*
- *All dividends paid by the Company are free of income tax. It is an HMRC requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.*
- *The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies – VCTs section of the Financial Times on a daily basis. Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value.*

Interim management report

Introduction

The results for Albion Venture Capital Trust PLC for the six months to 30 September 2009 show a small negative total return of 0.90 pence (taking the Net Asset Value to 81.90 pence per share after the payment of 2.50 pence per share dividend). Overall, the investment portfolio is proving resilient in the face of a continued subdued UK economy and the improved total return performance of the portfolio over the comparative period in a continuing difficult economic climate reflects the maturity of the portfolio and the fact that provisions have been taken in prior periods.

Investment performance and progress

In the hotel sector, The Crown Hotel Harrogate and The Bell at Sandwich are both showing growth over previous years and an increase in profitability. Meanwhile the Express by Holiday Inn at Stansted Airport, whilst continuing to see a decline in revenues in line with air traffic at Stansted Airport, remains profitable and able to continue the process of repaying the loan stock due to the Company. Work progresses on the refurbishment and enlargement of our hotel at Stanwell, between Terminals 4 and 5 at London Heathrow Airport, and the fifty-four bed hotel is due to open next Spring.

Our portfolio of cinemas has remained stable and profitable during the recession with weakness in some units being outweighed by strong performance in others. Our portfolio of health and fitness clubs, in the main continues to show a growth in membership and an increase in profitability, the exception being River Bourne Health Club Limited which was placed into administration in October 2009. Out of the total cost of £70,000 the Company will have received back in capital and interest approximately £35,000. Following a reorganisation of some of our pub investments, the portfolio as a whole is performing well and generating profits. This has been further helped by the investment in Geronimo Inns and the resulting purchase of four landmark freehold Central London pubs.

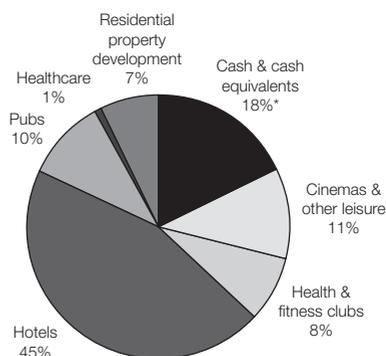
The portfolio of residential development companies continues to be wound down, with all of the units within Prime VCT Limited's final development in Bristol being sold during this period. The only

company with units unsold is now G&K Smart Developments VCT Limited which owns three sites in Yorkshire. We would hope that these will be disposed of during the course of the next twelve to eighteen months.

The Manager continues to review a number of opportunities in the healthcare sector, and this is expected to be the main area for new investments over the next twelve months.

During the six months to 30 September 2009, £0.65 million was invested in two existing companies and two new companies. Meanwhile £1.43 million of loan stock was repaid to the Company. Cash for investments has increased to £5.34 million and is held as cash deposits by the Company totalling £2.82 million and £1.48 million as a floating rate note. A further £1.04 million is held on deposit in residential property companies in the portfolio.

Split of portfolio valuation by sector as at 30 September 2009



Source: Albion Ventures LLP

* Cash and cash equivalents includes £1.04 million cash held on deposit in residential property development companies.

Related party transactions

Details of material related party transactions for the reporting period can be found in note 15 to this Half-yearly Financial Report.

Discount and share buy-backs

It remains the Board's policy to buy-back shares in the market subject to the overall constraint that such

Interim management report (continued)

purchases are in the Company's interest, including the maintenance of sufficient resources for investment in existing and new investee companies, and the continued payment of dividends to shareholders. Accordingly, the Company will continue to limit the sums available for share buy-backs and for the period to 31 March 2010, as with the period to 30 September 2009, this will amount to no more than £150,000. This compares to a total value bought in for the previous six months of £70,000. The discount to net asset value with which the shares trade has now narrowed to 24 per cent. per share and we would hope that this discount would continue to tighten.

Going concern

The Board's assessment of liquidity risk remains unchanged, and is detailed on page 29 of the Annual Report & Financial Statements for the year ended 31 March 2009. The Company has significant cash and liquid resources. The portfolio of investments is diversified in terms of sector, and the major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. Accordingly, after making reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Risks and uncertainties

The key risks affecting the Company remain the recession in the UK and the uncertain outlook for the world economy in general. Because it is our policy that investee companies do not have external gearing

our portfolio remains relatively well equipped to cope with this climate. Other risks and uncertainties remain unchanged, and are as detailed on page 21 of the Annual Report & Financial Statements for the year ended 31 March 2009.

Outlook

Looking forwards, the key tasks are to improve the income generation of the existing portfolio and to use the Company's cash resources to take advantage of the value opportunities currently available. In particular, we expect to make one or more investments within the healthcare sector in due course.

Results and dividends

As at 30 September 2009 the net asset value of the Company was £28.6 million or 81.90 pence per share compared to £29.9 million or 85.30 pence per share at 31 March 2009. The revenue return before taxation was £454,000 compared to £1.05 million for the six months to 30 September 2008. The decline was partly the result of the current low interest rates available on cash deposits and partly due to the cessation of income from our residual residential property development companies. The Company will pay a second dividend of 2.50 pence per share on 6 January 2010 to shareholders on the register as at 4 December 2009.

D J Watkins

Chairman

24 November 2009

Responsibility statement

The Directors, as listed on page 2 of this Report, are responsible for preparing the Half-yearly Financial Report. The Directors have chosen to prepare this Half-yearly Financial Report for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

In preparing these summarised financial statements for the period to 30 September 2009, we the Directors of the Company, confirm that to the best of our knowledge:

- (a) the summarised set of financial statements has been prepared in accordance with the pronouncement on interim reporting issued by the Accounting Standards Board;
- (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);
- (c) the summarised set of financial statements give a true and fair view in accordance with UK GAAP of the assets, liabilities, financial

position and profit and loss of the Company for the six months ended 30 September 2009 and comply with UK GAAP and Companies Act 1985 and 2006 and;

- (d) 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).

The accounting policies applied to the Half-yearly Financial Report have been consistently applied in current and prior periods and are those applied in the Annual Report and Financial Statements for the year ended 31 March 2009.

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

By order of the Board

D J Watkins
Chairman

24 November 2009

Portfolio of investments

The following is a summary of qualifying fixed asset investments as at 30 September 2009.

Qualifying fixed asset investments	% voting rights	% voting rights of AVL* managed companies	Investment to date at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000
Hotels					
Kew Green VCT (Stansted) Limited	28.2	50.0	4,609	2,003	6,612
The Crown Hotel Harrogate Limited	15.6	50.0	3,100	(913)	2,187
The Bear Hungerford Limited	26.1	50.0	2,088	(571)	1,517
The Stanwell Hotel Limited	18.9	50.0	2,000	(628)	1,372
The Place Sandwich VCT Limited	25.0	50.0	1,464	(445)	1,019
Total investment in the hotel sector			13,261	(554)	12,707
Pubs					
The Charnwood Pub Company Limited	8.8	50.0	3,086	(1,644)	1,442
Bravo Inns II Limited	4.7	49.6	505	(17)	488
Geronimo Pub VCT I Limited	3.0	50.0	270	4	274
Geronimo Pub VCT II Limited	3.0	50.0	270	4	274
Bravo Inns Limited	5.1	50.0	450	(209)	241
The Dunedin Pub Company VCT Limited	4.3	50.0	220	(110)	110
GB Pub Company VCT Limited	5.9	50.0	234	(147)	87
Total investment in the pub sector			5,035	(2,119)	2,916
Cinemas and other leisure					
City Screen (Cambridge) Limited	50.0	50.0	1,110	464	1,574
CS (Greenwich) Limited	18.3	50.0	1,005	(184)	821
CS (Brixton) Limited	6.4	50.0	250	28	278
City Screen (Liverpool) Limited	18.1	50.0	200	(61)	139
Premier Leisure (Suffolk) Limited	4.7	45.0	380	(282)	98
CS (Exeter) Limited	6.6	50.0	100	(3)	97
CS (Norwich) Limited	3.1	50.0	50	(16)	34
Total investment in the cinema and other leisure sector			3,095	(54)	3,041
Health and fitness clubs					
The Weybridge Club Limited	8.2	50.0	1,330	(131)	1,199
Kensington Health Clubs Limited	5.1	50.0	1,124	(483)	641
Tower Bridge Health Clubs Limited	5.5	50.0	344	(32)	312
River Bourne Health Club Limited	3.5	50.0	70	(70)	-
Total investment in the health and fitness club sector			2,868	(716)	2,152
Residential property development					
G&K Smart Developments VCT Limited	42.9	50.0	3,000	(857)	2,143
Chase Midland VCT Limited	38.1	50.0	720	(42)	678
Prime VCT Limited	50.0	50.0	990	(630)	360
Total investment in the residential property development sector			4,710	(1,529)	3,181
Total qualifying fixed asset investments			28,969	(4,972)	23,997

Portfolio of investments (continued)

The following is a summary of non-qualifying fixed and current asset investments as at 30 September 2009.

Non-qualifying fixed asset investments	% voting rights	% voting rights of AVL* managed companies	Investment to date at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000
Hotels					
The Place Sandwich VCT Limited	–	–	175	235	410
Total investment in the hotel sector			175	235	410
Healthcare					
Taunton Hospital Limited	–	50.0	313	–	313
Total investment in the healthcare sector			313	–	313
Total non-qualifying fixed asset investments			488	235	723

* AVL is Albion Ventures LLP

Non-qualifying current asset investment	Investment to date at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000
Nationwide floating rate note 07/06/2010	1,500	(19)	1,481

Summary income statement

	Note	Unaudited six months ended 30 September 2009			Unaudited six months ended 30 September 2008			Audited year ended 31 March 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	–	(571)	(571)	–	(2,584)	(2,584)	–	(6,483)	(6,483)
Investment income	4	633	–	633	1,148	–	1,148	1,761	–	1,761
Investment management fees		(73)	(219)	(292)	(106)	(332)	(438)	(183)	(549)	(732)
Recovery of VAT	6	7	21	28	121	375	496	180	540	720
Other expenses		(113)	–	(113)	(114)	–	(114)	(249)	–	(249)
Return/(loss) on ordinary activities before tax		454	(769)	(315)	1,049	(2,541)	(1,492)	1,509	(6,492)	(4,983)
Tax (charge)/credit on ordinary activities		(58)	55	(3)	(282)	(13)	(295)	(329)	2	(327)
Return/(loss) attributable to shareholders		396	(714)	(318)	767	(2,554)	(1,787)	1,180	(6,490)	(5,310)
Basic and diluted return/(loss) per share (pence)*	7	1.13	(2.03)	(0.90)	2.20	(7.20)	(5.00)	3.30	(18.30)	(15.00)

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2008 and the audited statutory accounts for the year ended 31 March 2009.

The accompanying notes on pages 15 to 21 form an integral part of this Half-yearly Financial Report.

The total column of this Summary 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.

All revenue and capital items in the above statement derive from continuing operations.

There are no recognised gains or losses other than the results for the periods disclosed above. Accordingly a Statement of total recognised gains and losses is not required. The difference between the reported loss on ordinary activities before tax and the historical profit is due to the fair value movements on investments. As a result a Note on historical cost profit and losses has not been prepared.

Summary balance sheet

	Note	Unaudited 30 September 2009 £'000	Unaudited 30 September 2008 £'000	Audited 31 March 2009 £'000
Fixed asset investments				
Qualifying		23,997	29,622	25,340
Non-qualifying		723	–	675
Total fixed asset investments	8	24,720	29,622	26,015
Current assets				
Trade and other debtors		1	590	199
Current asset investments		1,481	1,476	1,463
Cash at bank and in hand	12	2,821	4,202	2,498
		4,303	6,268	4,160
Creditors: amounts falling due within one year		(386)	(592)	(305)
Net current assets		3,917	5,676	3,855
Net assets		28,637	35,298	29,870
Capital and reserves				
Called-up share capital	9	18,025	17,964	18,002
Share premium		62	23	53
Capital redemption reserve		1,914	1,914	1,914
Unrealised capital reserve		(4,880)	(410)	(4,309)
Special reserve		14,110	14,110	14,110
Own treasury shares reserve		(893)	(608)	(823)
Realised capital reserve		(150)	200	(7)
Revenue reserve		449	2,105	930
Total equity shareholders' funds		28,637	35,298	29,870
Net asset value per share (pence)*		81.90	100.00	85.30

* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2008 and the audited statutory accounts for the year ended 31 March 2009.

The accompanying notes on pages 15 to 21 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 24 November 2009 and were signed on its behalf by

D J Watkins

Chairman

Summary reconciliation of movement in shareholders' funds

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Own treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 April 2009 (audited)	18,002	53	1,914	(4,309)	14,110	(823)	(7)	930	29,870
Movement in unrealised appreciation	-	-	-	(571)	-	-	-	-	(571)
Capitalised investment management fee	-	-	-	-	-	-	(219)	-	(219)
Capitalised tax	-	-	-	-	-	-	55	-	55
Recoverable VAT capitalised	-	-	-	-	-	-	21	-	21
Purchase of own treasury shares	-	-	-	-	-	(70)	-	-	(70)
Issue of equity (net of costs)	23	9	-	-	-	-	-	-	32
Revenue return attributable to shareholders	-	-	-	-	-	-	-	396	396
Dividends paid	-	-	-	-	-	-	-	(877)	(877)
As at 30 September 2009 (unaudited)	18,025	62	1,914	(4,880)	14,110	(893)	(150)	449	28,637
As at 1 April 2008 (audited)	17,939	-	1,914	2,174	14,110	(252)	1,952	1,338	39,175
Movement in unrealised appreciation	-	-	-	(2,584)	-	-	-	-	(2,584)
Capitalised investment management fee	-	-	-	-	-	-	(332)	-	(332)
Capitalised tax	-	-	-	-	-	-	(13)	-	(13)
Recoverable VAT capitalised	-	-	-	-	-	-	375	-	375
Purchase of own treasury shares	-	-	-	-	-	(356)	-	-	(356)
Issue of equity (net of costs)	25	23	-	-	-	-	-	-	48
Revenue return attributable to shareholders	-	-	-	-	-	-	-	767	767
Dividends paid	-	-	-	-	-	-	(1,782)	-	(1,782)
As at 30 September 2008 (unaudited)	17,964	23	1,914	(410)	14,110	(608)	200	2,105	35,298

Summary reconciliation of movement in shareholders' funds (continued)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Own treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 April 2008 (audited)	17,939	–	1,914	2,174	14,110	(252)	1,952	1,338	39,175
Movement in unrealised appreciation	–	–	–	(6,483)	–	–	–	–	(6,483)
Capitalised investment management fee	–	–	–	–	–	–	(549)	–	(549)
Capitalised tax	–	–	–	–	–	–	2	–	2
Recoverable VAT capitalised	–	–	–	–	–	–	540	–	540
Purchase of own treasury shares	–	–	–	–	–	(571)	–	–	(571)
Issue of equity (net of costs)	63	53	–	–	–	–	–	–	116
Revenue return attributable to shareholders	–	–	–	–	–	–	–	1,180	1,180
Dividends paid	–	–	–	–	–	–	(1,952)	(1,588)	(3,540)
As at 31 March 2009 (audited)	<u>18,002</u>	<u>53</u>	<u>1,914</u>	<u>(4,309)</u>	<u>14,110</u>	<u>(823)</u>	<u>(7)</u>	<u>930</u>	<u>29,870</u>

* Included within these reserves is an amount of £8,636,000 (30 September 2008: £15,397,000; 31 March 2009: £9,901,000) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

Summary cash flow statement

	Note	Unaudited six months ended 30 September 2009 £'000	Unaudited six months ended 30 September 2008 £'000	Audited year ended 31 March 2009 £'000
Operating activities				
Investment income received		548	1,077	1,648
Deposit interest received		24	111	235
Dividend income received		43	–	–
Other income received		–	56	88
Investment management fees paid (net of VAT refund)		(102)	(460)	(251)
Administrative expenses paid		(145)	(137)	(262)
Net cash inflow from operating activities	11	368	647	1,458
Taxation				
UK corporation tax received/(paid)		81	(15)	(271)
VAT paid		–	(1)	–
Capital expenditure and financial investments				
Purchase of investments		(650)	(2,093)	(2,503)
Disposal of investments		1,431	2,340	2,394
Net cash inflow/(outflow) from investing activities		781	247	(109)
Equity dividends paid				
Dividends paid	5	(877)	(1,782)	(3,540)
Net cash inflow/(outflow) before financing		353	(904)	(2,462)
Financing				
Purchase of own shares		(70)	(356)	(571)
Equity issued		40	53	122
Net cash outflow from financing		(30)	(303)	(449)
Cash inflow/(outflow) in the period	12	323	(1,207)	(2,911)

Notes to the summarised financial statements for the six months to 30 September 2009

1. Accounting convention

The 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 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") in January 2009. Accounting policies have been applied consistently in current and prior periods.

2. Accounting policies

Investments

Unquoted equity investments

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", unquoted equity investments are designated as fair value through profit or loss ("FVTPL"). Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

Fair value movements on equity investments and gains and losses arising on the disposal of investments are reflected in the capital column of the Income statement in accordance with the AIC SORP and realised gains or losses on the sale of investments will be reflected in the Realised capital reserve, and unrealised gains or losses arising from the revaluation of investments will be reflected in the Unrealised capital reserve.

Unquoted loan stock

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method ("EIR") less impairment. Movements in respect of capital provisions are reflected in the capital column of the Income statement and are reflected in the Realised capital reserve following sale, or in the Unrealised capital reserve on revaluation.

For all unquoted loan stock, fully performing, renegotiated, past due and impaired, the Board considers that the fair value is equal to or greater than the security value of these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the effective interest rate.

Warrants, convertibles and unquoted equity derived instruments

Warrants, convertibles and unquoted equity derived instruments are only valued if their exercise or contractual conversion terms would allow them to be exercised or converted as at the balance sheet date, and if there is additional value to the Company in exercising or converting as at the balance sheet date. Otherwise these instruments are held at nil value. The valuation techniques used are those used for the underlying equity investment.

Floating rate notes

In accordance with FRS 26, floating rate notes are designated as fair value through profit or loss. Floating rate notes are valued at market bid price at the balance sheet date.

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.

Loan stock accrued interest is recognised in the Balance sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

Investment income

Unquoted equity income

Dividend income is not recognised as part of the fair value movement of an investment, but is recognised separately as investment income through the Revenue reserve when a share becomes ex-dividend.

Unquoted loan stock income

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using the effective interest rate over the life of the financial instrument. Income which is not capable of being received within a reasonable period of time is reflected in the capital value of the investment.

Notes to the summarised financial statements for the six months to 30 September 2009 (continued)

Bank interest income

Interest income is recognised on an accruals basis using the rate of interest agreed with the bank.

Floating rate note income

Floating rate note income is recognised on an accruals basis using the interest rate applicable to the floating rate note at that time.

Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the Revenue account except the following which are charged through the Realised capital reserve:

- 75 per cent. of management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and 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

In the event that a performance incentive fee crystallises, the fee will be allocated between Revenue and Realised capital reserves (net of corporation tax) 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 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The specific nature of taxation of venture capital trusts means that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of

FRS 19 and do not believe that any provision should be made.

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 and transfers to the Special 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.

Special reserve

The cancellation of the Share premium has created a Special reserve that can be used to fund market purchases and subsequent cancellation of own shares, to cover gross realised losses and for other distributable purposes.

Own treasury shares reserve

This reserve accounts for amounts by which the distributable reserves of the Company are diminished through the repurchase of the Company's own shares for treasury.

Realised capital reserve

The following are disclosed in this reserve:

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

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been paid, or approved by shareholders in an Annual General Meeting.

Notes to the summarised financial statements for the six months to 30 September 2009 (continued)

3. Losses on investments

	Unaudited six months ended 30 September 2009 £'000	Unaudited six months ended 30 September 2008 £'000	Audited year ended 31 March 2009 £'000
Unrealised losses on fixed asset investments held at fair value through profit or loss account	(374)	(2,462)	(5,355)
Unrealised losses on fixed asset investments held at amortised cost	(215)	(124)	(1,142)
	(589)	(2,586)	(6,497)
Movement in loan stock capitalised accrued interest	-	-	24
Unrealised losses on fixed asset investments	(589)	(2,586)	(6,473)
Unrealised gains/(losses) on current asset investments held at fair value through profit or loss account	18	2	(10)
	(571)	(2,584)	(6,483)

Unquoted loan stock investments are valued on an amortised cost basis.

4. Investment income

	Unaudited six months ended 30 September 2009 £'000	Unaudited six months ended 30 September 2008 £'000	Audited year ended 31 March 2009 £'000
Income recognised on investments held at fair value through profit or loss			
Floating rate note interest	12	43	76
Bank deposit interest	11	111	150
Dividend income	43	-	-
Other income	-	52	54
	66	206	280
Income recognised on investments held at amortised cost			
Return on loan stock investments	567	942	1,481
	633	1,148	1,761

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

Notes to the summarised financial statements for the six months to 30 September 2009 (continued)

5. Dividends

	Unaudited six months ended 30 September 2009 £'000	Unaudited six months ended 30 September 2008 £'000	Audited year ended 31 March 2009 £'000
First dividend paid on 15 August 2008 – 5.00 pence per share	–	1,776	1,776
Second dividend paid on 9 January 2009 – 5.00 pence per share	–	–	1,764
First dividend paid on 31 July 2009 – 2.50 pence per share	877	–	–
	877	1,776	3,540

In addition to the dividends paid above, the Board has declared a dividend of 2.50 pence per share to be paid on 6 January 2010 to shareholders on the register on 4 December 2009. The total cost will be approximately £874,000.

6. Recovery of VAT

Following the HMRC business briefing permitting the recovery of historic VAT that had been charged on management fees, in the six months to 30 September 2009, the Company has recognised and received a further £28,000 which is net of provisions for historic management and performance fees of £16,000. This is in addition to the £720,000 that was recognised in the Income statement for the year to 31 March 2009.

7. Basic and diluted return per share

Return per share has been calculated on 35,017,904 Ordinary shares excluding treasury shares (30 September 2008: 35,546,947; 31 March 2009: 35,364,875) being the weighted number of shares in issue for the period.

There are no convertible instruments, derivatives or contingent share agreements in issue. The Company's policy is to sell treasury shares at a price greater than the purchase price hence the net asset value per share on a diluted basis would be equal to or greater than the basic net asset value per share, depending on the actual price achieved for selling the treasury shares.

8. Investments

Fixed asset investments held at fair value through profit or loss total £6,877,000 (30 September 2008: £10,340,000; 31 March 2009: £7,576,000). Fixed asset investments held at amortised cost total £17,843,000 (30 September 2008: £19,282,000; 31 March 2009: £18,439,000).

Current asset investments held at fair value through profit or loss total £1,481,000 (30 September 2008: £1,476,000; 31 March 2009: £1,463,000).

In addition to the current asset investment above, the Company's total cash resources as at 30 September 2009 are made up of £2.82 million in cash deposits held by the Company (30 September 2008: £4,202,000; 31 March 2009: £2,498,000) and £1.04 million in cash held on deposits by residential property development companies in the portfolio (30 September 2008: £0.65 million; 31 March 2009: £0.67 million).

Notes to the summarised financial statements for the six months to 30 September 2009 (continued)

9. Share capital

	Unaudited six months ended 30 September 2009 £'000	Unaudited six months ended 30 September 2008 £'000	Audited year ended 31 March 2009 £'000
Authorised			
68,000,000 Ordinary shares of 50p each (30 September 2008 and 31 March 2009: 68,000,000)	34,000	34,000	34,000
Allotted, called up and fully paid			
36,051,050 Ordinary shares of 50p each (30 September 2008: 35,928,061; 31 March 2009: 36,003,835)	18,025	17,964	18,002
Allotted, called up and fully paid excluding treasury shares			
34,954,371 Ordinary shares of 50p each (30 September 2008: 35,284,007; 31 March 2009: 35,028,249)	17,477	17,642	17,514

Under the terms of the Dividend Reinvestment Scheme Circular dated 10 July 2008, the following Ordinary shares of nominal value 50 pence were allotted during the period:

Allotment date	Number of shares allotted	Aggregate nominal value of shares £'000	Issue price pence per share	Consideration received £'000	Opening market price on allotment pence per share
31 July 2009	47,215	23	82.80	39	57.50

10. Treasury shares

During the period to 30 September 2009 the Company purchased 121,093 Ordinary shares to be held in treasury at a cost of £70,000, representing 0.3 per cent. of its issued share capital as at 1 April 2009. The shares purchased for treasury were funded from the Own treasury shares reserve. The total number of Ordinary shares held in treasury as at 30 September 2009 was 1,096,679 (30 September 2008: 644,054; 31 March 2009: 975,586) representing 3.0 per cent. of the issued share capital as at 1 April 2009.

11. Reconciliation of revenue return on ordinary activities before taxation to net cash inflow from operating activities

	Unaudited six months ended 30 September 2009 £'000	Unaudited six months ended 30 September 2008 £'000	Audited year ended 31 March 2009 £'000
Revenue return on ordinary activities before tax	454	1,049	1,509
Investment management fee charged to capital	(219)	(332)	(549)
Recoverable VAT capitalised	21	375	540
Movement in accrued amortised loan stock interest	(18)	95	167
Decrease/(increase) in operating debtors	197	(548)	(151)
(Decrease)/increase in operating creditors	(67)	8	(58)
Net cash inflow from operating activities	368	647	1,458

Notes to the summarised financial statements for the six months to 30 September 2009 (continued)

12. Analysis of change in cash during the period

	Unaudited six months ended 30 September 2009 £'000	Unaudited six months ended 30 September 2008 £'000	Audited year ended 31 March 2009 £'000
Beginning of the period	2,498	5,409	5,409
Net cash inflow/(outflow)	323	(1,207)	(2,911)
End of the period	2,821	4,202	2,498

13. Contingencies, guarantees and financial commitments

The Company has no contingencies, guarantees or financial commitments.

14. Post balance sheet events

Since 30 September 2009, the Company has completed the following investment transactions:

- November 2009: Investment in The Stanwell Hotel Limited of £1 million;
- November 2009: Investment in City Screen (Liverpool) Limited of £42,000;
- November 2009: Investment in CS (Greenwich) Limited of £93,000;
- November 2009: Investment in CS (Brixton) Limited of £24,000;
- November 2009: Investment in CS (Exeter) Limited of £8,000;
- November 2009: Disposal of the Nationwide floating rate note (maturity date 7 June 2010) of £1,500,000.

15. Related party transactions

The Manager, Albion Ventures LLP, is considered to be a related party by virtue of the fact that it is party to a management agreement with the Company. During the period, services of a total value of £293,000 in management fees and £20,000 in administration fees (30 September 2008: £438,000; 31 March 2009: £771,000), 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 £159,000 (30 September 2008: £257,000; 31 March 2009: £185,000).

Albion Ventures LLP has reclaimed VAT from HMRC as described in note 6. A net sum of £28,000 has been recognised in the Income statement for the period which is net of historic management and performance fees of £16,000 to be paid to Albion Ventures LLP.

16. Going concern

The Board's assessment of liquidity risk remains unchanged, and is detailed on page 29 of the Annual Report & Financial Statements for the year ended 31 March 2009. The Company has significant cash and liquid resources. The portfolio of investments is diversified in terms of sector, and the major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. Accordingly, after making reasonable 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 the accounts in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council.

Notes to the summarised financial statements for the six months to 30 September 2009 (continued)

17. 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 2009 and 30 September 2008, and is unaudited. The information for the year ended 31 March 2009 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 and is derived from the statutory accounts for the financial year, which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

18. 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 FSA viewing facility and also electronically at www.albion-ventures.co.uk under the 'Our Funds' section.

