

Half-yearly Financial Report (unaudited)
for the six months
to 31 March 2009



Albion Income & Growth
VCT PLC
(formerly Close Income & Growth VCT PLC)

ALBIONVENTURES

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Company Information

Company number	5132495
Directors	Friedrich Ternofsky, Chairman Mary Anne Cordeiro John Kerr Patrick Reeve David Watkins
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 Tel: 020 7601 1850 Fax: 020 7601 1875 Website: www.albion-ventures.co.uk
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 Income & Growth VCT 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) 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: enquiries@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) Email: enquiries@albion-ventures.co.uk Website: www.albion-ventures.co.uk

Investment Objectives

Albion Income & Growth VCT PLC (the “Company”) is a venture capital trust which raised £45 million under the Offer for Subscription that closed in March 2005 and was fully subscribed. The Company intends to provide investors with a regular and predictable source of income combined with the prospect of long term capital growth.

The Company allows investors the opportunity to participate in a balanced portfolio of high growth businesses and lower risk asset-based companies. It is intended that in time the Company’s investment portfolio will be split approximately as follows:

- 45 per cent. to be invested in higher growth unquoted businesses, including early stage technology;
- 45 per cent. to be invested in unquoted asset-based businesses in the leisure sector; and
- 10 per cent. to be held in floating rate securities, cash deposits and gilts.

Financial Calendar

Record date for second dividend	5 June 2009
Payment of second dividend	3 July 2009
Financial year end	30 September 2009

Financial Highlights

	Unaudited six months ended 31 March 2009 (pence)	Unaudited six months ended 31 March 2008 (pence)	Audited year ended 30 September 2008 (pence)
Dividends paid per Ordinary share	1.75	1.75	3.50
Revenue return per Ordinary share	0.97	1.96	3.94
Capital loss per Ordinary share	(9.21)	(2.46)	(11.66)
Net asset value per Ordinary share	70.10	88.63	79.73

Total shareholder net asset value return to 31 March 2009

	(pence per share)
Total dividends paid during the year ended: 30 September 2005 (i)	0.65
30 September 2006	2.60
30 September 2007	3.45
30 September 2008	3.50
Total dividends paid during the period ended 31 March 2009	1.75
Total dividends paid to 31 March 2009	11.95
Net asset value as at 31 March 2009	70.10
Total shareholder net asset value return to 31 March 2009	82.05

In addition to the dividends summarised above, the Board has declared a second dividend for the year to 30 September 2009 of 1.25 pence per share (to be paid out of revenue profits) to be paid on 3 July 2009 for those shareholders on the register as at 5 June 2009.

Notes

- (i) Investors subscribing by 31 December 2004 and remaining on the register on 1 July 2005 were entitled to a dividend of 0.65 pence per share. Investors subscribing thereafter were not entitled to the first interim dividend.
- (ii) These figures exclude tax benefits upon subscription of 40 per cent. income tax relief.
- (iii) All dividends paid by the Company are free of income tax. It is an Inland Revenue 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.
- (iv) 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

Overview

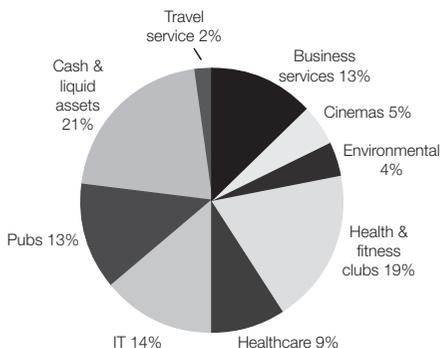
The Company aims to provide a diversified portfolio of unquoted investments split equally between those with asset backing, and higher growth businesses. Because much of the investment portfolio was built up during 2006 and 2007, which in retrospect was the peak of the market, the valuations of the asset-based element of the portfolio have been particularly badly affected by the sharp decline in property values generally, which in turn has led to the continued decline in the Company's net asset value per share. This fell to 70.1 pence per share at 31 March 2009, compared to 79.7 pence per share at 30 September 2008.

Investment performance and progress

The key contributors to your Company's decline in net asset value over the past six months have been investments in the health and fitness and pub sectors. The Company has four investments in the health and fitness sector and while overall the health clubs are continuing to show growth in membership and are profitable at an operating level, their values have declined sharply in line with the commercial property sector, leading to write downs equivalent to four pence per share following third party professional valuations as at 31 March 2009. Similarly, while the pub portfolio is trading profitably, professional valuations at the half year have resulted in write downs equivalent to two pence per share. However, these sectors, as with the rest of the portfolio, have no external bank borrowings leading us to take the view that these are investments to hold for the longer term and to trade through until the markets recover.

In the meantime, ten investments were made in existing portfolio companies amounting to £1,980,000, and a further £141,000 was invested in two new investee companies, both of which are in the healthcare sector. Healthcare, along with the environmental sector, are seen as being core areas of concentration over the next period, although with valuations in general becoming increasingly attractive, investments may also be made in other areas, including leisure. Set out below is the sector diversification of the portfolio as at 31 March 2009, which comprises 34 companies.

Split of investment portfolio by sector



Source: Albion Ventures LLP

Change in Manager

On 23 January 2009, the business of Close Ventures Limited, the manager of Albion Income & Growth VCT PLC was acquired by Albion Ventures LLP from Close Brothers Group plc. Albion Ventures has been formed by the executive directors of Close Ventures Limited; meanwhile Close Brothers Group plc will continue to have an investment in the business. The Company's management contract has been novated from Close Ventures to Albion Ventures under exactly the same terms as the existing agreement. The investment approach of Albion Ventures and the investment policy of the Company are also unchanged, with a continued emphasis on building up a broad portfolio of investee companies normally with no external bank borrowings and the maintenance of a regular dividend yield. As a result of this change, the Company Secretary has changed to Albion Ventures LLP, and the Company changed its name from Close Income & Growth VCT PLC to Albion Income & Growth VCT PLC at a General Meeting on 25 March 2009.

Risks and uncertainties

The recession in the UK economy continues to be the key risk affecting the Company. This in turn is affecting trading in a number of our businesses, particularly those in the leisure, and business service sectors, though the fact that our investee companies do not have external bank borrowings makes them considerably more resilient than might otherwise be the case. We believe that this lack of gearing, and the broad sector diversification, combined with the fact that many of the

Interim Management Report (continued)

companies in the growth element portfolio have market leading positions, either in the UK or internationally, gives us confidence of recovery in the medium term. Other risks and uncertainties remain unchanged, and are as detailed on page 20 of the Annual Report and Financial Statement for the year ended 30 September 2008. These include investment risk, venture capital trust approval risk, compliance risk, internal control risk, reliance upon third party risk and financial risk.

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.

Dividend Reinvestment Scheme

The Company currently operates a Dividend Reinvestment Scheme, details of which can be found on www.albion-ventures.co.uk under the 'Our Funds' section. During the period under review, the Company issued 50,569 New Ordinary shares under the Dividend Reinvestment Scheme at an issue price of 77.98 pence per share.

UK shareholders who participate in the Dividend Reinvestment Scheme will be eligible for the income and capital gains tax advantages available to shareholders in venture capital trusts in respect of the New Ordinary Shares subscribed under the Scheme. In particular, investors will be entitled to income tax relief at the rate of 30 per cent. on the amount subscribed for New Ordinary Shares, so long as their total investment in venture capital trusts, including these New Ordinary Shares, does not exceed £200,000 in the relevant tax year.

In making their decision whether or not to participate in the Dividend Reinvestment Scheme, shareholders should note that from time to time, shares in the Company trade in the stock market at a discount approaching or greater than the current income tax relief of 30 per cent.

Discount management and share buy-backs

It remains the Company's policy to buy back shares in the market, subject to the overall constraints that such purchases are in the Company's interest. This includes the maintenance of sufficient resources for investment in existing and new investee companies, and the continued payment of dividends to shareholders. In

the light of these constraints, the Company will limit the cash available for share buy-backs to up to £250,000 for the six months to 30 September 2009. Once this limit has been reached, the Board will review its policy in the light of the cash available for new investments and dividends to existing shareholders.

Results and dividends

The very low interest rates available in the market, combined with the capitalisation of interest returns which are not receivable in the short term, and trading pressures on investee companies, resulted in a reduction in income over the period from £1.4 million for the six months to 31 March 2008 to £743,000 for the six months to 31 March 2009. This in turn has resulted in a reduction in revenue profits after tax from £882,000 for the period to 31 March 2008 to £410,000 for the six months to 31 March 2009. As a result of this, the second dividend for the year will be 1.25 pence per share (payable on 3 July 2009 to those shareholders on the register as at 5 June 2009) compared to 1.75 pence per share for the same period last year. Consequently, this will be at a level below the original dividend target of 3.50 pence per share. Guidance on the dividend target going forwards will be given at the time of the announcement of the year end results.

Outlook

The UK economy is now officially in recession, but the length and severity is difficult to predict. In the short term, the decline in interest rates to historically unprecedented low levels will reduce the income generated by the Company's cash resources. Nevertheless, we believe that your Company's policy of ensuring that it has a first charge wherever possible over investee companies' assets, will help to mitigate the adverse effects of the severe economic downturn. In addition, your Company's substantial cash resources will enable it to take advantage of attractive investment opportunities driven by the lower valuations now becoming apparent. The Board views VCTs as long term savings products and in this context, despite the near-term pressure caused by the deterioration in the economy, the Directors consider that the Company remains capable of delivering long term shareholder value.

Friedrich Ternosfky

Chairman

27 May 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 31 March 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 31 March 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 30 September 2008.

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

By order of the Board

Friedrich Ternofsky
Chairman

27 May 2009

Portfolio of Investments

The following list is a summary of qualifying fixed asset investments as at 31 March 2009:

Investee Company	As at 31 March 2009				
	% 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
Asset-based unquoted investments					
The Weybridge Club Limited	18.5%	50.0%	3,000	(415)	2,585
Kensington Health Clubs Limited	13.4%	50.0%	3,000	(1,246)	1,754
Tower Bridge Health Clubs Limited	17.2%	50.0%	1,375	(176)	1,199
Welland Inns VCT Limited	16.9%	50.0%	1,757	(793)	964
Bravo Inns II Limited	12.3%	50.0%	1,000	(72)	928
CS (Brixton) Limited	16.7%	50.0%	650	127	777
Bravo Inns Limited	12.7%	50.0%	1,130	(527)	603
The Charnwood Pub Company Limited	8.1%	50.0%	610	(119)	491
The Dunedin Pub Company VCT Limited	15.4%	50.0%	786	(335)	451
Premier Leisure (Suffolk) Limited	12.3%	45.0%	1,000	(617)	383
GB Pub Company VCT Limited	16.6%	50.0%	743	(407)	336
CS (Exeter) Limited	16.6%	50.0%	250	(1)	249
CS (Norwich) Limited	20.0%	50.0%	320	(90)	230
Novello Pub Limited	16.5%	50.0%	466	(244)	222
River Bourne Health Club Limited	14.0%	50.0%	280	(227)	53
Pelican Inn Limited	6.3%	47.4%	1	-	1
Total asset-based unquoted investments			16,368	(5,142)	11,226

Portfolio of Investments (continued)

Investee Company	As at 31 March 2009				
	% 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
High growth unquoted investments					
Evolutions Television Limited	14.9%	50.0%	2,172	(68)	2,104
Xceleron Limited	21.7%	45.1%	2,010	(175)	1,835
Blackbay Limited	14.1%	32.9%	1,550	137	1,687
Chichester Holdings Limited	15.2%	50.0%	1,699	(102)	1,597
Rostima Limited	10.2%	29.4%	811	(142)	669
Dexela Limited	7.6%	34.8%	565	18	583
Lowcosttravelgroup Limited	12.0%	26.0%	1,560	(981)	579
RFI Global Services Limited	7.1%	15.0%	950	(380)	570
Oxsensis Limited	6.2%	22.3%	570	-	570
Helveta Limited	7.2%	23.4%	737	(175)	562
Mi-Pay Limited	7.9%	32.8%	621	(130)	491
Point 35 Microstructures Limited	7.6%	28.1%	572	(185)	387
Opta Sportsdata Limited	2.7%	14.1%	290	2	292
Process Systems Enterprise Limited	4.7%	15.9%	440	(181)	259
Prime Care Holdings Limited	3.3%	42.2%	157	3	160
Red-M Group Limited	2.7%	10.7%	653	(545)	108
Forth Photonics Limited	0.9%	12.2%	105	-	105
Vibrant Energy Surveys Limited	2.6%	25.6%	200	(145)	55
Ivivo Limited	3.3%	45.0%	37	-	37
Palm Tree Technology Limited	1.3%	2.1%	235	(199)	36
Total high growth unquoted investments			15,934	(3,248)	12,686
Total qualifying fixed asset investments			32,302	(8,390)	23,912

*AVL is Albion Ventures LLP

Portfolio of Investments as at 31 March 2009

(continued)

	As at 31 March 2009				
Investee Company	% 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
Non-qualifying investment					
Kensington Health Clubs Limited	–	–	44	(5)	39
Total non-qualifying fixed asset investment	–	–	44	(5)	39

* AVL is Albion Ventures LLP

The following is a list of current asset investments with a carrying/fair value as at 31 March 2009.

	As at 31 March 2009		
	Investment to date at cost £'000	Cumulative movement in carrying/ fair value £'000	Total carrying/ fair value £'000
Current asset investment			
Rabobank floating rate note 29 July 2010	5,000	(26)	4,974
Total current asset investments	5,000	(26)	4,974

Summary Income Statement

	Note	Unaudited six months ended 31 March 2009			Unaudited six months ended 31 March 2008			Audited year ended 30 September 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	–	(3,719)	(3,719)	–	(797)	(797)	–	(4,868)	(4,868)
Investment income and deposit interest	4	743	–	743	1,435	–	1,435	2,491	–	2,491
Investment management fees		(99)	(298)	(397)	(147)	(441)	(588)	(273)	(819)	(1,092)
Recovery of VAT	6	12	36	48	–	–	–	136	407	543
Other expenses		(128)	–	(128)	(102)	–	(102)	(222)	–	(222)
Return/(loss) on ordinary activities before tax		528	(3,981)	(3,453)	1,186	(1,238)	(52)	2,132	(5,280)	(3,148)
Tax (charge)/credit on ordinary activities		(118)	75	(43)	(304)	132	(172)	(388)	119	(269)
Return /(loss) attributable to shareholders		410	(3,906)	(3,496)	882	(1,106)	(224)	1,744	(5,161)	(3,417)
Basic and diluted return/(loss) per share (pence) *	7	0.97	(9.21)	(8.24)	1.96	(2.46)	(0.50)	3.94	(11.66)	(7.72)

**(excluding Treasury shares)*

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

The accompanying notes on pages 15 to 22 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 31 March 2009 £'000	Unaudited 31 March 2008 £'000	Audited 30 September 2008 £'000
Fixed asset investments				
Qualifying investments		23,912	29,936	25,666
Non-qualifying investments		39	-	-
Total fixed asset investments	7	23,951	29,936	25,666
Current assets				
Trade and other debtors		38	68	666
Current asset investments		4,974	4,991	4,974
Cash at bank and in hand	11	1,240	4,983	3,385
Total current assets		6,252	10,042	9,025
Creditors: amounts falling due within one year		(826)	(747)	(665)
Net current assets		5,426	9,295	8,360
Net assets		29,377	39,231	34,026
Capital and reserves				
Called up share capital	8	22,688	22,667	22,663
Share premium		11	-	-
Special reserve		20,142	20,148	20,142
Capital redemption reserve		18	14	18
Own treasury shares reserve		(2,553)	(880)	(2,111)
Unrealised capital reserve		(9,772)	(1,816)	(6,049)
Realised capital reserve		(1,878)	(1,873)	(1,695)
Revenue reserve		721	971	1,058
Shareholders' funds		29,377	39,231	34,026
Net asset value per share (pence)*		70.10	88.63	79.73

*(excluding Treasury shares)

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

The accompanying notes on pages 15 to 22 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 27 May 2009 and were signed on its behalf by

Friedrich Ternofsky

Chairman

Summary Reconciliation of Movement in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Special reserve* £'000	Capital redemption reserve £'000	Own treasury share reserve* £'000	Unrealised capital reserve £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 October 2008	22,663	–	20,142	18	(2,111)	(6,049)	(1,695)	1,058	34,026
Purchase of own shares for treasury (including expenses)	–	–	–	–	(442)	–	–	–	(442)
Capitalised investment management fees	–	–	–	–	–	–	(298)	–	(298)
Recovery of VAT capitalised	–	–	–	–	–	–	36	–	36
Tax on capitalised expenses	–	–	–	–	–	–	75	–	75
Net realised gains on investments in the period	–	–	–	–	–	–	4	–	4
Movement in unrealised appreciation	–	–	–	–	–	(3,723)	–	–	(3,723)
Issue of equity (net of costs)	25	11	–	–	–	–	–	–	36
Revenue return attributable to shareholders	–	–	–	–	–	–	–	410	410
Dividends paid	–	–	–	–	–	–	–	(747)	(747)
As at 31 March 2009	22,688	11	20,142	18	(2,553)	(9,772)	(1,878)	721	29,377
As at 1 October 2007	22,667	–	20,148	14	(137)	(1,084)	(1,499)	878	40,987
Purchase of own shares for treasury (including expenses)	–	–	–	–	(743)	–	–	–	(743)
Capitalised investment management fees	–	–	–	–	–	–	(441)	–	(441)
Tax on capitalised expenses	–	–	–	–	–	–	132	–	132
Realised losses on investments in the period	–	–	–	–	–	–	(65)	–	(65)
Movement in unrealised appreciation	–	–	–	–	–	(732)	–	–	(732)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	882	882
Dividends paid	–	–	–	–	–	–	–	(789)	(789)
As at 31 March 2008	22,667	–	20,148	14	(880)	(1,816)	(1,873)	971	39,231
As at 1 October 2007	22,667	–	20,148	14	(137)	(1,084)	(1,499)	878	40,987
Purchase of own shares for cancellation	(4)	–	(6)	4	–	–	–	–	(6)
Purchase of own shares for treasury (including expenses)	–	–	–	–	(1,974)	–	–	–	(1,974)
Capitalised investment management fees	–	–	–	–	–	–	(819)	–	(819)
Recovery of VAT capitalised	–	–	–	–	–	–	407	–	407
Tax on capitalised expenses	–	–	–	–	–	–	119	–	119
Net realised gains on investments in the year	–	–	–	–	–	–	97	–	97
Movement in unrealised appreciation	–	–	–	–	–	(4,965)	–	–	(4,965)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	1,744	1,744
Dividends paid	–	–	–	–	–	–	–	(1,564)	(1,564)
As at 30 September 2008	22,663	–	20,142	18	(2,111)	(6,049)	(1,695)	1,058	34,026

*Included within these reserves is an amount of £16,432,000 (31 March 2008: £18,366,000; 30 September 2008: £17,394,000) 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 31 March 2009 £'000	Unaudited six months ended 31 March 2008 £'000	Audited year ended 30 September 2008 £'000
Operating activities				
Investment income received		522	717	1,456
Deposit interest received		171	284	568
Dividend income received		76	–	31
Investment management fees paid		(473)	(296)	(872)
VAT recovered		618	–	–
Administrative expenses paid		(106)	(87)	(173)
Net cash inflow from operating activities	11	808	618	1,010
Taxation				
UK corporation tax recovered		177	77	77
Capital expenditure and financial investments				
Purchase of fixed asset investments		(2,121)	(806)	(1,741)
Disposal of fixed asset investments		140	151	1,278
Disposal of current asset investment		–	4,996	4,996
Net cash (outflow)/inflow from investing activities		(1,981)	4,341	4,533
Equity dividends paid		(707)	(789)	(1,564)
Net cash (outflow)/inflow before financing		(1,703)	4,247	4,056
Financing				
Purchase of own shares for cancellation		–	–	(6)
Purchase of own shares for treasury		(442)	(573)	(1,974)
Net cash outflows from financing		(442)	(573)	(1,980)
Cash (outflow)/inflow in the period	12	(2,145)	3,674	2,076

Notes to the Summarised Financial Statements for the six months ended 31 March 2009

1. Accounting policies

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" ("SORP") issued by the Association of Investment Trust Companies ("AIC") in January 2009. Accounting policies have been applied consistently in current and prior years.

2. Accounting policies

Fixed and current asset investments

Unquoted equity investments

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", unquoted equity investments are designated at 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. 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 are reflected in the Unrealised capital reserve.

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.

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 the amortised cost relating to interest income are reflected in the revenue column of the Income Statement, and hence are reflected in the Revenue reserve. 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.

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for 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.

Floating rate notes

In accordance with FRS 26, floating rate notes are designated as fair value through profit or loss ("FVTPL"). Floating rate notes are valued at market bid price at the balance sheet date. Floating rate notes are classified as current asset investments as they are investments held for the short term and comparative classification in the Balance Sheet has been restated accordingly.

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 Revenue reserve when a share becomes ex-dividend.

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 associate undertakings.

Investment income

Unquoted equity income

Dividend income is included in revenue when the investment is quoted ex-dividend.

Notes to the Summarised Financial Statements for the six months ended 31 March 2009 (unaudited)

2. Accounting policies (continued)

Investment income (continued)

Unquoted loan stock income

The fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using an 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.

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

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. 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.

Under the terms of the Management Agreement, total expenses including management fees and excluding performance fees will not exceed 3.50 per cent. of net asset value at the year end.

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 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 Special reserve.

Special reserve

The cancellation of the share premium account 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.

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.

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.

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;

Notes to the Summarised Financial Statements for the six months ended 31 March 2009 (unaudited)

2. Accounting policies (continued)

- 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 ended 31 March 2009 (unaudited)

3. Losses on investments

	Unaudited for the six months ended 31 March 2009 £'000	Unaudited for the six months ended 31 March 2008 £'000	Audited for the year ended 30 September 2008 £'000
Unrealised losses on fixed asset investments held at fair value through profit or loss account	(2,488)	(665)	(4,553)
Movement in capitalised return on loan stock	141	–	–
Unrealised impairments on fixed asset investments held at amortised cost	(1,376)	(66)	(396)
Unrealised losses on fixed asset investments	(3,723)	(731)	(4,949)
Unrealised losses on current asset investments	–	(1)	(16)
Unrealised losses sub total	(3,723)	(732)	(4,965)
Realised (losses)/gains on fixed asset investments held at fair value through profit or loss account	–	(60)	102
Realised gains/(losses) on current asset investments held at fair value through profit or loss account	4	(5)	(5)
Realised gains/(losses) sub total	4	(65)	97
Total	(3,719)	(797)	(4,868)

Investments valued on amortised cost basis are unquoted loan stock investments.

Notes to the Summarised Financial Statements for the six months ended 31 March 2009 (unaudited)

4. Investment income and deposit interest

	Unaudited for the six months ended 31 March 2009 £'000	Unaudited for the six months ended 31 March 2008 £'000	Audited for the year ended 30 September 2008 £'000
Income recognised on investments held at fair value through profit or loss			
Dividend income	70	–	62
Bank deposit interest	19	128	231
Floating rate note interest	112	189	335
Other income	–	6	6
	201	323	634
Income recognised on investments held at amortised cost			
Return on loan stock investments	542	1,112	1,857
	743	1,435	2,491

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

5. Dividends

	Unaudited for the six months ended 31 March 2009 £'000	Unaudited for the six months ended 31 March 2008 £'000	Audited for the year ended 30 September 2008 £'000
First dividend paid on 2 February 2009 – 1.75 pence per share	747	–	–
First dividend paid on 25 January 2008 – 1.75 pence per share	–	789	789
Second dividend paid on 4 July 2008 – 1.75 pence per share	–	–	775
	747	789	1,564

In addition to the dividends summarised above, the Board has declared a second dividend for the year ending 30 September 2009 of 1.25 pence per share, (paid out of revenue profits). This dividend will be paid on 3 July 2009 to shareholders on the register as at 5 June 2009.

6. Recovery of VAT

Following HMRC business briefing permitting the recovery of historic VAT that had been charged on management fees, the Company has received an additional £48,000 in the six months to 31 March 2009. The £48,000 was in respect of interest paid by HMRC for the £543,000 recognised in the year end accounts to 30 September 2008.

Notes to the Summarised Financial Statements for the six months ended 31 March 2009 (unaudited)

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

The return per share has been based on the following figures:

	Unaudited for the six months to 31 March 2009			Unaudited for the six months to 31 March 2008			Audited for the year ended 30 September 2008		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Return/(loss) attributable to equity shares (£'000)	410	(3,906)	(3,496)	882	(1,106)	(224)	1,744	(5,161)	(3,417)
Weighted average shares in issue (excluding treasury shares)	42,404,111	42,404,111	42,404,111	44,926,477	44,926,477	44,926,477	44,262,032	44,262,032	44,262,032
Return/(loss) attributable per equity share (pence)	0.97	(9.21)	(8.24)	1.96	(2.46)	(0.50)	3.94	(11.66)	(7.72)

The weighted average number of shares is calculated excluding the treasury shares of 3,466,531 (31 March 2008: 1,066,634; 30 September 2008: 2,651,993).

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

8. Fixed asset investments

Fixed assets held at fair value through profit or loss total £6,042,000 (31 March 2008: £11,358,000; 30 September 2008: £7,610,000). Investments held at amortised cost total £17,909,000 (31 March 2008: £18,578,000; 30 September 2008: £18,056,000).

Current asset investments held at fair value through profit or loss total £4,974,000 (31 March 2008: £4,991,000; 30 September 2008: £4,974,000).

9. Called up share capital

	Unaudited for the six months ended 31 March 2009 £'000	Unaudited for the six months ended 31 March 2008 £'000	Audited for the year ended 30 September 2008 £'000
Authorised			
50,000,000 Ordinary shares of 50p each	25,000	25,000	25,000
Allotted, called up and fully paid			
45,376,906 Ordinary shares of 50p each (31 March 2008: 45,333,837; 30 September 2008: 45,326,337)	22,688	22,667	22,663
Allotted, called up and fully paid excluding treasury shares			
41,910,375 Ordinary shares of 50p each (31 March 2008: 44,267,203; 30 September 2008: 42,674,344)	20,955	22,133	21,337

On 2 February 2009, 50,569 Ordinary shares of 50 pence nominal value were issued at a price of 77.98 pence per share under the terms of the Dividend Reinvestment Scheme. Additional information regarding the Dividend Reinvestment Scheme can be found at www.albion-ventures.co.uk under the "Our Funds" section. The share price on 2 February 2009 was 54.5 pence per share.

Notes to the Summarised Financial Statements for the six months ended 31 March 2009 (unaudited)

10. Treasury shares

During the period to 31 March 2009 the Company purchased 814,538 Ordinary shares to be held in treasury at a cost of £442,000 representing 1.9 per cent. of its share capital (excluding treasury shares) as at 31 March 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 31 March 2009 was 3,466,531 (31 March 2008: 1,066,634; 30 September 2008: 2,651,993) representing 8.3 per cent. of the share capital (excluding treasury shares) as at 31 March 2009.

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

	Unaudited for the six months to 31 March 2009 £'000	Unaudited for the six months to 31 March 2008 £'000	Audited for the year to 30 September 2008 £'000
Revenue return on ordinary activities before taxation	528	1,186	2,132
Investment management fees charged to capital	(298)	(441)	(819)
Recoverable VAT capitalised	36	-	407
Movement in accrued amortised loan stock interest	(28)	(395)	(404)
(Decrease)/increase in operating debtors	628	(378)	(598)
(Decrease)/increase in operating creditors	(58)	646	292
Net cash inflow from operating activities	808	618	1,010

12. Analysis of changes in cash during the period

	Unaudited for the six months to 31 March 2009 £'000	Unaudited for the six months to 31 March 2008 £'000	Audited for the year to 30 September 2008 £'000
Opening net funds	3,385	1,355	1,355
Net cash (outflow)/inflow	(2,145)	3,674	2,076
Closing net funds	1,240	5,029	3,431
Movement in overdraft	-	(46)	(46)
Closing cash balance	1,240	4,983	3,385

13. Contingencies, guarantees and financial commitments

The Company has no guarantees, contingencies or financial commitments.

14. Post balance sheet events

Since 31 March 2009, the Company has completed the following investments:

- April 2009: Investment of £79,000 in Welland Inns VCT Limited
- April 2009: Investment of £87,000 in Rostima Limited
- April 2009: Investment of £31,000 in Helveta Limited
- May 2009: Investment of £20,000 in Bravo Inns II Limited
- May 2009: Investment of £114,000 in RFI Global Services Limited

Notes to the Summarised Financial Statements for the six months ended 31 March 2009 (unaudited)

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 from the Company. During the period, services of a total value of £397,000 (31 March 2008: £588,000; 30 September 2008: £1,092,000), 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 £185,000 (31 March 2008: £288,000; 30 September 2008: £242,000).

During the period, the Company received interest on the recovery of historic VAT from Albion Ventures LLP of £48,000 as described in note 6. A recovery of £543,000 was recognised in the accounts for the year ended 30 September 2008 as a debtor due from Albion Ventures LLP and this was paid to the Company during the financial period. As at 31 March 2009, no further amounts are anticipated with regard to the recovery of historic VAT on management fees. As of 1 October 2008, all management fees are exempt from VAT.

Patrick Reeve is managing partner of the Manager, Albion Ventures LLP. During the period, the Company charged Albion Ventures LLP £9,250 in respect of his services as a Director (31 March 2008: £9,250; 30 September 2008: £18,500). At the financial period end, the amount due to Albion Ventures LLP in respect of these services was £5,319 including VAT (31 March 2008: £10,869; 30 September 2008: £5,434).

A total of 814,538 shares were purchased for treasury (31 March 2008: 912,553; 30 September 2008: 2,497,912) at an average price of 54 pence per share (31 March 2008: 81.2 pence per share; 30 September 2008: 79 pence per share). These purchases were transacted through Winterflood Securities Limited, a subsidiary of Close Brothers Group plc, which until 23 January 2009 was also the ultimate parent company of the Manager.

There are no other related party transactions or balances requiring disclosure.

16. 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 240 of the Companies Act 1985 for the periods ended 31 March 2009 and 31 March 2008, and is unaudited. The information for the year ended 30 September 2008 does not constitute statutory accounts within the terms of section 240 of the Companies Act 1985 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 s237 (2) or (3) of the Companies Act 1985.

17. 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.

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