

Half-yearly Financial Report (unaudited)  
for the six months  
to 31 March 2010



Albion Income & Growth  
VCT PLC

ALBION VENTURES



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# Company information

<b>Company number</b>	5132495
<b>Directors</b>	Friedrich Ternofsky, Chairman Mary Anne Cordeiro John Kerr Patrick Reeve David Watkins
<b>Company secretary and registered office</b>	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
<b>Manager</b>	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF Tel: 020 7601 1850 Fax: 020 7601 1875 Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>
<b>Registrars</b>	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA
<b>Auditors</b>	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
<b>Taxation adviser</b>	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RH
<b>Legal adviser</b>	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.

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## 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 8.30 am – 5.30 pm Mon-Fri)  
Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
Website: [www.capitaregistrars.com](http://www.capitaregistrars.com)

Shareholders can access holdings and valuation information regarding any of their shares held by Capita Registrars by registering on Capita's website.

For enquiries relating to the performance of the Fund, 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](mailto:info@albion-ventures.co.uk)  
Website: [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk)

## IFA information

Independent Financial Advisers with questions, 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](mailto:info@albion-ventures.co.uk)  
Website: [www.albion-ventures.co.uk](http://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 which closed in March 2005 and which 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. invested in higher growth unquoted businesses, including early stage technology;
- 45 per cent. invested in unquoted asset-based businesses principally in the leisure sector; and
- 10 per cent. held in floating rate securities, cash deposits and gilts.

## Financial calendar

Record date for second dividend	11 June 2010
Payment of second dividend	9 July 2010
Financial year end	30 September 2010

# Financial highlights

	Unaudited six months ended 31 March 2010 (pence per share)	Unaudited six months ended 31 March 2009 (pence per share)	Audited year ended 30 September 2009 (pence per share)
Net asset value per share	70.1	70.1	66.4
Dividends paid per share	1.25	1.75	3.0
Revenue return per share	0.9	1.0	1.9
Capital return per share	3.9	(9.2)	(12.8)

## Total shareholder net asset value return to 31 March 2010

	(pence per share)
Total dividends paid during the period ended: 30 September 2005 (i)	0.65
Total dividends paid during the year ended: 30 September 2006	2.60
30 September 2007	3.45
30 September 2008	3.50
30 September 2009	3.00
Total dividends paid during the six months ended 31 March 2010	1.25

## Total dividends paid to 31 March 2010

**14.45**

Net asset value as at 31 March 2010

70.10

## Total shareholder net asset value return to 31 March 2010

**84.55**

In addition to the dividends summarised above, the Board has declared a second dividend for the year to 30 September 2010 of 1.75 pence per share to be paid on 9 July 2010 to shareholders on the register as at 11 June 2010.

### 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 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.

# Interim management report

## Overview

The six months to 31 March 2010 have seen a welcome positive total return of 4.8 pence per share and an increase in net asset value to 70.1 pence per share, after the payment of a 1.25 pence per share first dividend. This encouraging result has been driven by the trading performance of certain companies within the growth portfolio. While the underlying businesses within the asset-based portfolio have also improved, the third party valuers on which we base our own valuations have remained cautious in light of the continuing uncertainties in the UK economy.

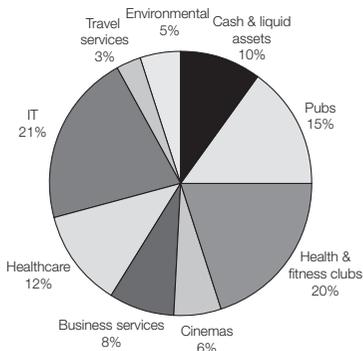
## Investment performance and progress

The key contributors to your Company's improved performance over the period have been RFI Global Services, which has seen strong growth in its testing services to the payment card industry, and also growth from Xceleron (drug testing), Mi-Pay (mobile payments) and Helveta (traceability of tropical timber). In the meantime, the asset-based portfolio has also seen an improved performance, with a growth in the profitability of the portfolio of pub investments combined with strong performances from the cinemas. In addition, the health and fitness clubs continue to show increased membership. Against this, we have made partial write-downs against our investments in Rostima and Chichester in the light of their continuing under-performance.

One new investment was made over the period, comprising £268,000 into Orchard Portman, where an existing care home in Taunton is being converted to a specialist psychiatric unit. In addition, £854,000 was invested in existing investee companies, of which £480,000 comprised further tranches of previous funding rounds. The Manager is assessing a number of interesting investment opportunities at attractive prices, particularly in the healthcare and environmental sectors.

Set out below is the sector diversification of the portfolio of our 36 investments as at 31 March 2010.

## Split of investment portfolio by sector



Source: Albion Ventures LLP

## Risks and uncertainties

The outlook for the UK economy continues to be the key risk affecting your Company. Although current indications are that the recession is over, concerns remain over high levels of Government and corporate borrowing and required austerity measures. Importantly, however, the VCT is conservatively financed with no bank borrowings at either corporate or investee company level.

Other risks and uncertainties remain unchanged and are as detailed on page 17 of the Annual Report and Financial Statements for the year ended 30 September 2009.

## Related party transactions

Details of material related party transactions for the reporting period can be found in note 12 to this Half-yearly Financial Report.

## Share buy-backs

It remains the Company's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interest. This includes the maintenance of sufficient resources for investment in new and existing investee companies, and the continued payment of dividends to shareholders. In the light of these constraints, the Company will continue to limit cash available for buy-backs. For the six months to 30 September 2010, this will be at an increased limit of £350,000.

# Interim management report (continued)

Your Board is conscious of the fact that, over the past eighteen months, the Company's shares have been trading at a substantial discount to net asset value. As the Company's performance recovers, it is anticipated that this discount may narrow. The longer term target is to achieve a discount of between 10 to 15 per cent. of net asset value.

## Results and dividends

As at 31 March 2010, the net asset value of the Company was £28.8 million or 70.1 pence per share compared to £27.5 million or 66.4 pence at 30 September 2009. The revenue return before taxation was £483,000 compared to £528,000 for the first six months of the previous year. The Company will pay a second dividend for the financial year to 30 September 2010 of 1.75 pence per share on 9 July 2010 to shareholders on the register as at 11 June 2010, which makes a total dividend for the year of 3 pence per share. It remains the Company's objective to be in a position, over the longer term, to pay an annual net revenue dividend of around 3.5 pence per share.

## Outlook

In general, the performance of our portfolio companies continues to improve and whilst there are still some concerns as to the broader economic outlook and its potential effects on smaller UK companies. The increasing maturity of our portfolio of investments leads us generally to have a positive view of their future trading prospects.

**Friedrich Ternofsky**

Chairman

28 May 2010

# 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 2010, 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 gives 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 2010 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 2009.

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

By order of the Board

**Friedrich Ternofsky**  
Chairman

28 May 2010

# Portfolio of investments

The following is a summary of qualifying fixed asset investments as at 31 March 2010:

	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Total value £'000
<b>Asset-based unquoted investments</b>					
The Weybridge Club Limited	18.5	50.0	3,000	(394)	2,606
Kensington Health Clubs Limited	12.9	50.0	3,045	(1,206)	1,839
The Charnwood Pub Company Limited	10.3	50.0	2,914	(1,231)	1,683
Evolutions Television Limited	14.9	49.9	2,756	(1,222)	1,534
Tower Bridge Health Clubs Limited	17.2	50.0	1,375	34	1,409
Bravo Inns II Limited	9.8	50.0	1,110	(62)	1,048
CS (Brixton) Limited	16.7	50.0	713	196	909
Bravo Inns Limited	12.7	50.0	1,130	(527)	603
Geronimo Inns VCT I Limited	3.3	50.0	260	38	298
Geronimo Inns VCT II Limited	3.3	50.0	260	38	298
CS (Norwich) Limited	20.0	50.0	320	(45)	275
Orchard Portman Hospital Limited	7.9	50.0	268	–	268
Premier Leisure (Suffolk) Limited	13.6	50.0	1,000	(743)	257
GB Pub Company VCT Limited	16.6	50.0	666	(416)	250
CS (Exeter) Limited	16.6	50.0	271	(25)	246
The Dunedin Pub Company VCT Limited	15.4	50.0	548	(357)	191
River Bourne Health Club Limited	14.0	50.0	11	–	11
<b>Total asset-based unquoted investments</b>			<b>19,647</b>	<b>(5,922)</b>	<b>13,725</b>

\*AVL is Albion Ventures LLP

## Portfolio of investments (continued)

	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Total value £'000
<b>High growth investments</b>					
Xceleron Limited	21.7	45.1	2,138	278	2,416
Blackbay Limited	14.1	32.9	1,550	733	2,283
RFI Global Services Limited	13.0	27.3	1,159	511	1,670
Mi-Pay Limited	10.5	43.7	944	79	1,023
Helveta Limited	4.2	26.6	921	34	955
Lowcosttravelgroup Limited	12.0	26.0	1,560	(648)	912
Chichester Holdings Limited	15.2	50.0	1,699	(1,103)	596
Oxsensis Limited	5.7	20.7	755	(183)	572
Dexela Limited	7.6	34.8	565	(128)	437
Point 35 Microstructures Limited	7.6	28.1	572	(148)	424
Rostima Limited	11.8	33.8	999	(697)	302
Opta Sports Data Limited	2.7	14.0	290	10	300
Prime Care Holdings Limited	3.8	49.9	211	9	220
Process Systems Enterprise Limited	4.7	15.9	440	(221)	219
Red-M Wireless Limited	25.4	41.0	186	9	195
Forth Photonics Limited	1.3	18.4	175	–	175
Mirada Medical Limited	3.3	45.0	61	28	89
Palm Tree Technology PLC	0.5	0.7	235	(200)	35
Green Energy Property Services Group Limited	2.3	23.4	63	(49)	14
<b>Total high growth investments</b>			<b>14,523</b>	<b>(1,686)</b>	<b>12,837</b>
<b>Total qualifying fixed asset investments</b>			<b>34,170</b>	<b>(7,608)</b>	<b>26,562</b>

\*AVL is Albion Ventures LLP

# Summary income statement

	Note	Unaudited six months ended 31 March 2010			Unaudited six months ended 31 March 2009			Audited year ended 30 September 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	-	1,801	1,801	-	(3,719)	(3,719)	-	(5,046)	(5,046)
Investment income	4	684	-	684	743	-	743	1,377	-	1,377
Investment management fees		(88)	(264)	(352)	(99)	(298)	(397)	(184)	(555)	(739)
Recovery of VAT		-	-	-	12	36	48	12	36	48
Other expenses		(113)	-	(113)	(128)	-	(128)	(224)	-	(224)
<b>Return/(loss) on ordinary activities before tax</b>		<b>483</b>	<b>1,537</b>	<b>2,020</b>	<b>528</b>	<b>(3,981)</b>	<b>(3,453)</b>	<b>981</b>	<b>(5,565)</b>	<b>(4,584)</b>
Tax (charge)/credit on ordinary activities		(130)	78	(52)	(118)	75	(43)	(174)	152	(22)
<b>Return/(loss) attributable to shareholders</b>		<b>353</b>	<b>1,615</b>	<b>1,968</b>	<b>410</b>	<b>(3,906)</b>	<b>(3,496)</b>	<b>807</b>	<b>(5,413)</b>	<b>(4,606)</b>
<b>Basic and diluted return/(loss) per share (pence)*</b>	6	<b>0.9</b>	<b>3.9</b>	<b>4.8</b>	1.0	(9.2)	(8.2)	1.9	(12.8)	(10.9)

\*excluding treasury shares

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

The accompanying notes on pages 14 to 20 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 2010 £'000	Unaudited 31 March 2009 £'000	Audited 30 September 2009 £'000
<b>Fixed asset investments</b>				
Qualifying		26,562	23,912	23,840
Non-qualifying		–	39	38
<b>Total fixed asset investments</b>	7	<b>26,562</b>	<b>23,951</b>	<b>23,878</b>
<b>Current assets</b>				
Trade and other debtors		58	38	16
Current asset investments		–	4,974	2,503
Cash at bank and in hand	10	2,562	1,240	1,507
<b>Total current assets</b>		<b>2,620</b>	<b>6,252</b>	<b>4,026</b>
<b>Creditors: amounts falling due within one year</b>		<b>(430)</b>	<b>(826)</b>	<b>(371)</b>
<b>Net current assets</b>		<b>2,190</b>	<b>5,426</b>	<b>3,655</b>
<b>Net assets</b>		<b>28,752</b>	<b>29,377</b>	<b>27,533</b>
<b>Capital and reserves</b>				
Called up share capital	8	22,474	22,688	22,706
Share premium		9	11	10
Capital redemption reserve		268	18	18
Unrealised capital reserve		(8,342)	(9,772)	(10,385)
Special reserve		19,891	20,142	20,142
Treasury shares reserve		(2,788)	(2,553)	(2,788)
Realised capital reserve		(3,200)	(1,878)	(2,772)
Revenue reserve		440	721	602
<b>Total equity shareholders' funds</b>		<b>28,752</b>	<b>29,377</b>	<b>27,533</b>
<b>Net asset value per share (pence)*</b>		<b>70.1</b>	<b>70.1</b>	<b>66.4</b>

\*excluding treasury shares

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

The accompanying notes on pages 14 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 28 May 2010 and were signed on its behalf by

**Friedrich Ternofsky**

Chairman

Company number: 5132495

## 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	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
<b>As at 1 October 2009 (audited)</b>	22,706	10	18	(10,385)	20,142	(2,788)	(2,772)	602	27,533
Net realised gains on investments in the period	-	-	-	-	-	-	59	-	59
Unrealised gains on investments	-	-	-	1,742	-	-	-	-	1,742
Transfer of previously unrealised losses on sale of investments	-	-	-	301	-	-	(301)	-	-
Capitalised investment management fee	-	-	-	-	-	-	(264)	-	(264)
Tax on capitalised management fee	-	-	-	-	-	-	78	-	78
Purchase of own shares for cancellation	(250)	-	250	-	(251)	-	-	-	(251)
Issue of equity (net of costs)	18	(1)	-	-	-	-	-	-	17
Revenue return attributable to shareholders	-	-	-	-	-	-	-	353	353
Dividends paid	-	-	-	-	-	-	-	(515)	(515)
<b>As at 31 March 2010 (unaudited)</b>	22,474	9	268	(8,342)	19,891	(2,788)	(3,200)	440	28,752
<b>As at 1 October 2008 (audited)</b>	22,663	-	18	(6,049)	20,142	(2,111)	(1,695)	1,058	34,026
Net realised gains on investments in the period	-	-	-	-	-	-	8	-	8
Unrealised losses on investments	-	-	-	(3,727)	-	-	-	-	(3,727)
Transfer of previously unrealised losses on sale of investments	-	-	-	4	-	-	(4)	-	-
Capitalised investment management fee	-	-	-	-	-	-	(298)	-	(298)
Tax on capitalised management fee	-	-	-	-	-	-	75	-	75
Capitalised recoverable VAT	-	-	-	-	-	-	36	-	36
Purchase of own shares for treasury	-	-	-	-	-	(442)	-	-	(442)
Issue of equity (net of costs)	25	11	-	-	-	-	-	-	36
Revenue return attributable to shareholders	-	-	-	-	-	-	-	410	410
Dividends paid	-	-	-	-	-	-	-	(747)	(747)
<b>As at 31 March 2009 (unaudited)</b>	22,688	11	18	(9,772)	20,142	(2,553)	(1,878)	721	29,377
<b>As at 1 October 2008 (audited)</b>	22,663	-	18	(6,049)	20,142	(2,111)	(1,695)	1,058	34,026
Net realised losses on investments in the year	-	-	-	-	-	-	(203)	-	(203)
Unrealised losses on investments	-	-	-	(4,843)	-	-	-	-	(4,843)
Transfer of previously unrealised losses on sale of investments	-	-	-	507	-	-	(507)	-	-
Capitalised investment management fee	-	-	-	-	-	-	(555)	-	(555)
Tax on capitalised management fee	-	-	-	-	-	-	152	-	152
Capitalised recoverable VAT	-	-	-	-	-	-	36	-	36
Purchase of own shares for treasury	-	-	-	-	-	(677)	-	-	(677)
Issue of equity (net of costs)	43	10	-	-	-	-	-	-	53
Revenue return attributable to shareholders	-	-	-	-	-	-	-	807	807
Dividends paid	-	-	-	-	-	-	-	(1,263)	(1,263)
<b>As at 30 September 2009 (audited)</b>	22,706	10	18	(10,385)	20,142	(2,788)	(2,772)	602	27,533

\*Included within these reserves is an amount of £6,001,000 (31 March 2009: £6,660,000; 30 September 2009: £4,799,000) 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 2010 £'000	Unaudited six months ended 31 March 2009 £'000	Audited year ended 30 September 2009 £'000
<b>Operating activities</b>				
Investment income received		663	522	1,155
Deposit interest received		33	171	212
Dividend income received		–	76	99
Investment management fees paid		(371)	(473)	(793)
VAT recovery		–	618	618
Administrative expenses paid		(130)	(106)	(232)
<b>Net cash inflow from operating activities</b>	9	<b>195</b>	808	1,059
<b>Taxation</b>				
UK corporation tax received/(paid)		76	177	(294)
<b>Capital expenditure and financial investments</b>				
Purchase of fixed asset investments		(1,231)	(2,121)	(3,480)
Disposal of fixed asset investments		264	140	224
<b>Net cash outflow from investing activities</b>		<b>(967)</b>	(1,981)	(3,256)
<b>Management of liquid resources</b>				
Disposal of current asset investments		2,500	–	2,500
		2,500	–	2,500
<b>Equity dividends paid</b>				
Dividends paid (net of cost of shares issued under the dividend reinvestment scheme)	5	(491)	(707)	(1,200)
<b>Net cash inflow/(outflow) before financing</b>		<b>1,313</b>	(1,703)	(1,191)
<b>Financing</b>				
Purchase of own shares for treasury		–	(442)	(677)
Purchase of shares for cancellation		(250)	–	–
Costs of issue of share capital		(8)	–	(10)
<b>Net cash outflow from financing</b>		<b>(258)</b>	(442)	(687)
<b>Cash inflow/(outflow) in the period</b>	10	<b>1,055</b>	<b>(2,145)</b>	<b>(1,878)</b>

# Notes to the (unaudited) summarised Financial Statements for the six months to 31 March 2010

## 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 and Venture Capital Trusts" ("SORP") issued by the Association of Investment Companies ("AIC") in January 2009. Albion Income & Growth VCT PLC has decided to adopt the principles of the January 2009 SORP earlier than the mandatory date. 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 September 2009 International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines). The revised September IPEVCV guidelines have not had a material impact on the portfolio.

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 are reflected in the realised capital reserve, and unrealised gains or losses arising from the revaluation of investments are 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 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.

### *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. Floating rate notes are classified as current asset investments as they are investments held for the short term.

### *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.

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 associated undertakings.

## Investment income

### *Unquoted equity income*

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

### *Unquoted loan stock and other preferred 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.

### *Bank interest income*

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

# Notes to the (unaudited) summarised Financial Statements for the six months to 31 March 2010

## 2. Accounting policies (continued)

### Investment income (continued)

#### *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.

Under the terms of the management agreement, total expenses including management fees and excluding performance fees will not exceed 3.5 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 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 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.

#### *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
- 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 (unaudited) summarised Financial Statements for the six months to 31 March 2010

## 3. Gains/(losses) on investments

	Unaudited six months ended 31 March 2010 £'000	Unaudited six months ended 31 March 2009 £'000	Audited year ended 30 September 2009 £'000
Unrealised gains/(losses) on fixed asset investments held at fair value through profit or loss account	2,014	(2,441)	(2,718)
Unrealised impairments on fixed asset investments held at amortised cost	(272)	(1,286)	(2,141)
<b>Unrealised gains/(losses) on fixed asset investments</b>	<b>1,742</b>	<b>(3,727)</b>	<b>(4,859)</b>
Unrealised gains/(losses) on current asset investments held at fair value through profit or loss account	-	-	16
<b>Unrealised gains/(losses) sub-total</b>	<b>1,742</b>	<b>(3,727)</b>	<b>(4,843)</b>
Realised gains/(losses) on investments held at fair value through profit or loss account	-	4	(38)
Realised gains/(losses) on fixed asset investments held at amortised cost	61	4	(173)
Realised (losses)/gains on current asset investments held at fair value through profit or loss account	(2)	-	8
<b>Realised gains/(losses) sub-total</b>	<b>59</b>	<b>8</b>	<b>(203)</b>
<b>Total</b>	<b>1,801</b>	<b>(3,719)</b>	<b>(5,046)</b>

The prior period analyses have been re-presented to reflect a separate transfer between reserves for accumulated unrealised gains or losses that had taken place in previous periods relating to investments sold during the current period.

Investments valued on an amortised cost basis are unquoted loan stock instruments as described in note 2.

# Notes to the (unaudited) summarised Financial Statements for the six months to 31 March 2010

## 4. Investment income

	Unaudited six months ended 31 March 2010 £'000	Unaudited six months ended 31 March 2009 £'000	Audited year ended 30 September 2009 £'000
<b>Income recognised on investments held at fair value through profit or loss</b>			
Dividend income	–	70	67
Floating rate note interest	2	112	143
Bank deposit interest	23	19	23
	<u>25</u>	<u>201</u>	<u>233</u>
<b>Income recognised on investments held at amortised cost</b>			
Return on loan stock investments	659	542	1,144
	<u>684</u>	<u>743</u>	<u>1,377</u>

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

## 5. Dividends

	Unaudited six months ended 31 March 2010 £'000	Unaudited six months ended 31 March 2009 £'000	Audited year ended 30 September 2009 £'000
First dividend paid on 2 February 2009 – 1.75 pence per share	–	747	739
Second dividend paid on 3 July 2009 – 1.25 pence per share	–	–	524
First dividend paid on 1 February 2010 – 1.25 pence per share	491	–	–
	<u>491</u>	<u>747</u>	<u>1,263</u>

In addition to the dividends paid above, the Board has declared a dividend of 1.75 pence per share to be paid on 9 July 2010 to shareholders on the register on 11 June 2010. The total dividend to be paid will be approximately £717,000.

## 6. Basic and diluted return per share

Return per share has been calculated on 41,292,143 Ordinary shares excluding treasury shares (31 March 2009: 42,404,111; 30 September 2009: 42,072,734) 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.

# Notes to the (unaudited) summarised Financial Statements for the six months to 31 March 2010

## 7. Investments

Fixed asset investments held at fair value through profit or loss total £9,345,000 (31 March 2009: £6,042,000; 30 September 2009: £6,814,000). Fixed asset investments held at amortised cost total £17,217,000 (31 March 2009: £17,909,000; 30 September 2009: £17,064,000).

There were no current asset investments held at fair value through profit or loss (31 March 2009: £4,974,000; 30 September 2009: £2,503,000).

## 8. Share capital

	Unaudited six months ended 31 March 2010 £'000	Unaudited six months ended 31 March 2009 £'000	Audited year ended 30 September 2009 £'000
<b>Authorised</b>			
50,000,000 Ordinary shares of 50p each (31 March 2009 and 30 September 2009: 50,000,000)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
<b>Allotted, called up and fully paid</b>			
44,948,440 Ordinary shares of 50p each (31 March 2009: 45,376,906; 30 September 2009: 45,411,710)	<u>22,474</u>	<u>22,688</u>	<u>22,706</u>
<b>Allotted, called up and fully paid excluding treasury shares</b>			
41,015,791 Ordinary shares of 50p each (31 March 2009: 41,910,375; 30 September 2009: 41,479,061)			

Under the terms of the Dividend Reinvestment Scheme Circular dated 22 December 2008, the following Ordinary shares, of nominal value 50 pence were allotted at a price of 65.15 pence per share.

Date of allotment	Number of shares allotted	Aggregate nominal value of shares £'000	Consideration received £'000	Opening market price per share on allotment date (pence per share)
1 February 2010	36,794	18	24	49.5

During the period the Company purchased 500,064 Ordinary shares (31 March 2009: nil; 30 September 2009: nil) for cancellation at a cost of £251,000, representing 1.1 per cent. of its issued share capital as at 31 March 2010. The shares purchased for cancellation were funded by the special reserve.

The Company did not purchase any shares for treasury during the period to 31 March 2010 (31 March 2009: 814,538; 30 September 2009: 1,280,656). The total number of Ordinary shares held in treasury as at 31 March 2010 was 3,932,649 (31 March 2009: 3,466,531; 30 September 2009: 3,932,649) representing 8.8 per cent. of the issued share capital as at 31 March 2010.

# Notes to the (unaudited) summarised Financial Statements for the six months to 31 March 2010

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

	Unaudited six months ended 31 March 2010 £'000	Unaudited six months ended 31 March 2009 £'000	Audited year ended 30 September 2009 £'000
Revenue return on ordinary activities before tax	483	528	981
Investment management fee charged to capital	(264)	(298)	(555)
Recoverable VAT capitalised	-	36	36
Movement in accrued amortised loan stock interest	21	(28)	(20)
(Increase)/decrease in operating debtors	(42)	628	651
(Decrease)/increase in operating creditors	(3)	(58)	(34)
<b>Net cash inflow from operating activities</b>	<b>195</b>	<b>808</b>	<b>1,059</b>

## 10. Analysis of change in cash during the period

	Unaudited six months ended 31 March 2010 £'000	Unaudited six months ended 31 March 2009 £'000	Audited year ended 30 September 2009 £'000
Opening cash balances	1,507	3,385	3,385
Net cash inflow/(outflow)	1,055	(2,145)	(1,878)
<b>Closing cash balances</b>	<b>2,562</b>	<b>1,240</b>	<b>1,507</b>

## 11. Post balance sheet events

Since 31 March 2010, the Company has completed the following material transactions:

- April 2010: Investment of £35,000 in Rostima Limited
- May 2010: Repayment of £300,000 of loan stock by Tower Bridge Health Clubs Limited

## 12. 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 (details disclosed on page 19 of the Annual Report and Financial Statements of the year ended 30 September 2009) and that Patrick Reeve, a Director of the Company, is also managing partner of Albion Ventures LLP. During the period, services of a total value of £352,000 (31 March 2009: £397,000; 30 September 2009: £739,000) were purchased by the Company from Albion Ventures LLP. At the financial period end, the amount due to Albion Ventures LLP disclosed as accruals was £164,000 (31 March 2009: £185,000; 30 September 2009: £189,000).

During the period, the Company was charged £9,250 (excluding VAT) by Albion Ventures LLP in respect of Patrick Reeve's services as a Director (31 March 2009: £9,250; 30 September 2009: £18,500). At the financial period end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals and deferred income was £5,319 (31 March 2009: £5,319; 30 September 2009: £5,319).

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

# Notes to the (unaudited) summarised Financial Statements for the six months to 31 March 2010

## 13. Going concern

The Board's assessment of liquidity risk remains unchanged, and is detailed on page 26 of the Annual Report and Financial Statements for the year ended 30 September 2009. 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, buy-backs and dividends) 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 the accounts in accordance with "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", published by the Financial Reporting Council.

## 14. 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 31 March 2010 and 31 March 2009, and is unaudited. The information for the year ended 30 September 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 that 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.

## 15. 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](http://www.albion-ventures.co.uk) under the 'Our Funds' section.



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