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Company information

Company number	3265074
Directors	D M Bralsford, MSc FCA FCT Chairman E Dinesen R (Danish) FSR P H Reeve MA ACA M V H Rees-Mogg MA
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 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 Protected 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, 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 Protected VCT PLC (the "Company") commenced trading in April 1997. Within the overall aim of maximising the considerable tax benefits available to shareholders in a venture capital trust, the Company's investment strategy was designed to meet the requirements of investors who seek to protect the capital value of their investment whilst still providing an attractive level of return. Following shareholder approval in 2002 to change the Company's investment policy, the investments made by Albion Protected VCT PLC currently fall into the following categories:

- Qualifying asset-based investments

These are intended to be investments principally in the hotel, leisure, and care home sectors, with a mixture of equity and loan stock, with the loan stock normally holding a first charge over freehold or long leasehold property.

- Qualifying AIM investments

These comprise new ordinary shares issued by companies quoted on AIM; this portfolio is in the process of being wound down and re-invested in asset-based investments.

- Non-qualifying investments

The remaining funds are invested in cash and floating rate notes, or similar investments, with banks with a Moody's rating of A and above.

Financial calendar

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

Financial highlights

	30 September 2009 (pence per share)	30 September 2008 (pence per share)	31 March 2009 (pence per share)
Net asset value	70.70	83.80	72.00
Dividends paid	1.00	2.50	4.50
Revenue return	0.90	1.60	2.40
Capital loss	(1.30)	(7.90)	(18.50)

	pence per share
Total shareholder net asset value return to 30 September 2009	
Total dividends paid during the period ended:	
31 March 1998	1.10
31 March 1999 [®]	6.40
31 March 2000	1.50
31 March 2001	4.25
31 March 2002	2.75
31 March 2003	2.00
31 March 2004	1.25
31 March 2005	2.20
31 March 2006	4.50
31 March 2007	4.00
31 March 2008	5.00
31 March 2009	4.50
30 September 2009 (six month period)	1.00
Total dividends paid to 30 September 2009	40.45
Net asset value as at 30 September 2009	70.70
Total shareholder net asset value return to 30 September 2009	111.15

The Directors have declared a dividend of 1 penny per share payable on 6 January 2010 to shareholders on the register as at 4 December 2009.

(i) 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.

(ii) The above table excludes the tax benefits investors received upon subscription for shares in the Company.

Interim management report

Introduction

The results for Albion Protected VCT PLC for the six months to 30 September 2009 show a small negative total return of 0.4 pence per share. The steady performance of the portfolio in a continuing difficult economic climate reflects the maturity of its investment portfolio combined with the fact that provisions have been made against investments in the previous financial year.

Investment performance and progress

Overall, the investment portfolio is proving resilient in the face of a continued subdued UK economy. 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 in the Spring of 2010.

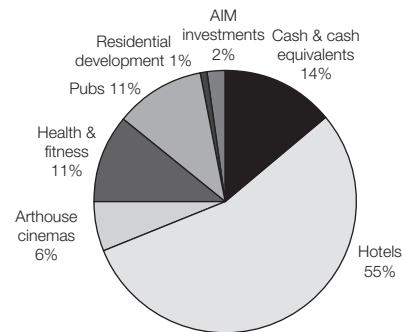
Our portfolio of cinemas has remained stable and profitable during the recession with weakness in some units (such as our Liverpool Cinema, which has seen increased competition) being outweighed by strong performance in others. Our portfolio in health and fitness clubs, continues to show a growth in membership and an increase in profitability. The exception to this is the River Bourne Health Club Limited which was placed into administration in October 2009. Out of the total cost of £100,000 the Company will have received back approximately half of the investment. 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 of £220,000 with Geronimo Inns and the resulting purchase of four landmark freehold Central London pubs. Meanwhile, we are in the process of disposing of our final residential development site.

Additionally, during the six months to 30 September 2009, £70,000 was also invested in two existing investee companies. Meanwhile £163,000 of loan

stock was repaid by investee companies. 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.

The Company's residual portfolio of AIM stocks continues to be wound down, with sales proceeds of £600,000 being received in the period.

Split of portfolio valuation by sector as at 30 September 2009



Source: Albion Ventures LLP

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 management and share buy-backs

It remains the Board's policy to buy-back shares in the market subject to the overall constraint that such purchases are in the Company's interest, 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 six months to 31 March 2010, this will amount to no more than £100,000. This compares to a total value bought in for the previous six months of £90,000. The discount to net asset value with which the shares trade is currently around 30% and we would hope that this discount will

Interim management report (continued)

narrow towards the tighter discounts that have prevailed historically.

Going concern

The Board's assessment of liquidity risk remains unchanged, and is detailed on page 47 of the Annual Report & Financial Statements for the year ended 31 March 2009. The Company has sufficient cash and liquid resources. The portfolio of investments is spread across a variety of sectors, 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.

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 over the next period.

Results and dividends

As at 30 September 2009 the net asset value of the Company was £14.7 million or 70.7 pence per share compared to £15.1 million or 72.0 pence per share as at 31 March 2009 and £17.6 million or 83.8 pence per share as at 30 September 2008. Revenue return before taxation was £219,000 for the period compared to £453,000 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 1 penny per share on 6 January 2010 to shareholders on the register as at 4 December 2009.

Martin Bralsford

Chairman

25 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

Martin Bralsford
Chairman

25 November 2009

Portfolio of investments

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

Investee company	As at 30 September 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
Hotels					
Kew Green VCT (Stansted) Limited	16.9	50.0	2,672	1,198	3,870
The Stanwell Hotel Limited	17.9	50.0	1,900	(373)	1,527
The Crown Hotel Harrogate Limited	8.4	50.0	1,674	(493)	1,181
The Bear Hungerford Limited	14.6	50.0	1,167	(319)	848
The Place Sandwich VCT Limited	13.8	50.0	803	(244)	559
Total investment in the hotel sector			8,216	(231)	7,985
Pubs					
The Charnwood Pub Company Limited	6.0	50.0	2,047	(1,057)	990
Bravo Inns II Limited	1.1	49.6	170	(6)	164
Bravo Inns Limited	5.1	50.0	230	(107)	123
Geronimo Inns VCT I Limited	1.0	50.0	110	1	111
Geronimo Inns VCT II Limited	1.0	50.0	110	1	111
The Dunedin Pub Company VCT Limited	4.0	50.0	204	(102)	102
GB Pub Company VCT Limited	8.7	50.0	117	(74)	43
Total investment in the pub sector			2,988	(1,344)	1,644
Cinemas and other leisure					
CS (Greenwich) Limited	7.6	50.0	415	(76)	339
City Screen (Liverpool) Limited	22.7	50.0	250	(74)	176
CS (Brixton) Limited	3.0	50.0	115	13	128
Premier Leisure (Suffolk) Limited	4.8	45.0	390	(289)	101
CS (Exeter) Limited	2.9	50.0	45	(1)	44
CS (Norwich) Limited	1.3	50.0	20	(7)	13
Total investment in the cinemas and other leisure sector			1,235	(434)	801
Health & fitness clubs					
The Weybridge Club Limited	6.0	50.0	980	(99)	881
Kensington Health Clubs Limited	5.1	50.0	1,124	(483)	641
Tower Bridge Health Clubs Limited	2.9	50.0	183	(17)	166
River Bourne Health Club Limited	5.0	50.0	100	(100)	-
Total investment in the health and fitness sector			2,387	(699)	1,688

Portfolio of investments (continued)

	As at 30 September 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
Residential development					
Wickenhall Mill VCT Limited	27.3	50.0	547	(452)	95
Chase Midland VCT Limited	4.8	50.0	90	(5)	85
Total investment in the residential development sector			637	(457)	180
AIM investment portfolio					
Pennant International Group PLC			499	(351)	148
Portrait Software PLC			440	(325)	115
Clipper Ventures PLC			297	(262)	35
Focus Solutions PLC			80	(65)	15
Total AIM investments			1,316	(1,003)	313
Total qualifying investments			16,779	(4,168)	12,611

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

	As at 30 September 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
Non-qualifying investments					
The Place Sandwich VCT Limited	n/a	n/a	95	126	221
AIM investments			92	(91)	1
Total non-qualifying investments			187	35	222
Total fixed asset investments			16,966	(4,133)	12,833

* Albion Ventures LLP

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	-	(204)	(204)	-	(1,685)	(1,685)	-	(3,894)	(3,894)
Investment income	4	349	-	349	531	-	531	814	-	814
Investment management fees		(34)	(102)	(136)	(49)	(147)	(196)	(84)	(253)	(337)
Recovery of VAT	6	3	7	10	61	182	243	80	240	320
Other expenses		(99)	-	(99)	(90)	-	(90)	(196)	-	(196)
Return/(loss) on ordinary activities before tax		219	(299)	(80)	453	(1,650)	(1,197)	614	(3,907)	(3,293)
Tax (charge)/credit on ordinary activities		(41)	26	(15)	(118)	(10)	(128)	(111)	4	(107)
Return/(loss) attributable to shareholders		178	(273)	(95)	335	(1,660)	(1,325)	503	(3,903)	(3,400)
Basic and diluted return/(loss) per share (pence)*	7	0.90	(1.30)	(0.40)	1.60	(7.90)	(6.30)	2.40	(18.50)	(16.10)

* 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		12,611	16,239	13,766
Non-qualifying		222	96	195
Total fixed asset investments	8	12,833	16,335	13,961
Current assets				
Trade and other debtors		1	277	53
Cash at bank and in hand	12	2,095	1,319	1,264
		2,096	1,596	1,317
Creditors: amounts falling due within one year		(260)	(318)	(221)
Net current assets		1,836	1,278	1,096
Net assets		14,669	17,613	15,057
Capital and reserves				
Called-up share capital	9	11,525	11,675	11,620
Share premium		3	2	1
Capital redemption reserve		2,434	2,271	2,334
Unrealised capital reserve		(4,246)	(3,100)	(4,173)
Special reserve		8,517	8,709	8,631
Treasury shares reserve		(2,257)	(2,286)	(2,276)
Realised capital reserve		(1,485)	(115)	(1,285)
Revenue reserve		178	457	205
Total equity shareholders' funds		14,669	17,613	15,057
Net asset value per share (pence)*		70.70	83.80	72.00

* 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.

These financial statements were approved by the Board of Directors and authorised for issue on 25 November 2009 and were signed on its behalf by

Martin Bralsford
Chairman

Summary reconciliation of movements 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
As at 1 April 2009	11,620	1	2,334	(4,173)	8,631	(2,276)	(1,285)	205	15,057
Net realised losses on investments in the period	-	-	-	-	-	-	(131)	-	(131)
Capitalised investment management fees	-	-	-	-	-	-	(102)	-	(102)
Tax relief on costs charged to capital	-	-	-	-	-	-	26	-	26
Recoverable VAT capitalised	-	-	-	-	-	-	7	-	7
Purchase of own shares for cancellation	(90)	-	90	-	(90)	-	-	-	(90)
Cancellation of treasury shares	(10)	-	10	-	(19)	19	-	-	-
Unrealised losses on fixed asset investments	-	-	-	(73)	-	-	-	-	(73)
Issue of equity (net of costs)	5	2	-	-	-	-	-	-	7
Revenue return attributable to shareholders	-	-	-	-	-	-	-	178	178
Dividends paid	-	-	-	-	(5)	-	-	(205)	(210)
As at 30 September 2009	11,525	3	2,434	(4,246)	8,517	(2,257)	(1,485)	178	14,669
As at 1 April 2008	11,771	-	2,167	(1,416)	8,886	(2,345)	(139)	650	19,574
Net realised losses on investments in the period	-	-	-	-	-	-	(1)	-	(1)
Capitalised investment management fees	-	-	-	-	-	-	(147)	-	(147)
Tax relief on costs charged to capital	-	-	-	-	-	-	(10)	-	(10)
Recoverable VAT capitalised	-	-	-	-	-	-	182	-	(182)
Purchase of own shares for cancellation	(74)	-	74	-	(118)	-	-	-	(118)
Cancellation of treasury shares	(30)	-	30	-	(59)	59	-	-	-
Unrealised losses on fixed asset investments	-	-	-	(1,684)	-	-	-	-	(1,684)
Issue of equity (net of costs)	8	2	-	-	-	-	-	-	10
Revenue return attributable to shareholders	-	-	-	-	-	-	-	335	335
Dividends paid	-	-	-	-	-	-	-	(528)	(528)
As at 30 September 2008	11,675	2	2,271	(3,100)	8,709	(2,286)	(115)	457	17,613

Summary reconciliation of movements in shareholders' funds (continued)

	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
As at 1 April 2008	11,771	–	2,167	(1,416)	8,886	(2,345)	(139)	650	19,574
Net realised losses on investments in the year	–	–	–	–	–	–	(1,137)	–	(1,137)
Capitalised investment management fees	–	–	–	–	–	–	(253)	–	(253)
Tax relief on costs charged to capital	–	–	–	–	–	–	4	–	4
Recoverable VAT capitalised	–	–	–	–	–	–	240	–	240
Purchase of own shares for cancellation	(167)	–	167	–	(186)	–	–	–	(186)
Cancellation of treasury shares	–	–	–	–	(69)	69	–	–	–
Unrealised losses on fixed asset investments	–	–	–	(2,757)	–	–	–	–	(2,757)
Issue of equity (net of costs)	16	1	–	–	–	–	–	–	17
Revenue return attributable to shareholders	–	–	–	–	–	–	–	503	503
Dividends paid	–	–	–	–	–	–	–	(948)	(948)
As at 31 March 2009	<u>11,620</u>	<u>1</u>	<u>2,334</u>	<u>(4,173)</u>	<u>8,631</u>	<u>(2,276)</u>	<u>(1,285)</u>	<u>205</u>	<u>15,057</u>

* Included within these reserves is an amount of £707,000 (30 September 2008: £3,665,000; 31 March 2009: £1,102,000) 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		336	526	850
Deposit interest received		6	34	51
Investment management fees paid		(141)	(203)	(257)
VAT recovery		61	–	278
Administrative fees paid		(124)	(109)	(262)
Net cash inflow from operating activities	11	138	248	660
Taxation				
UK corporation tax received		63	148	30
Capital expenditure and financial investment				
Purchase of qualifying fixed asset investments		(272)	(1,303)	(1,390)
Purchase of non-qualifying fixed asset investments		–	–	(94)
Disposal of qualifying fixed asset investments		1,220	820	1,115
Net cash inflow/(outflow) from investing activities		948	(483)	(369)
Equity dividends paid				
Dividends paid	5	(210)	(529)	(948)
Net cash inflow/(outflow) before financing		939	(616)	(627)
Financing				
Purchase of own shares		(115)	(114)	(162)
Issue of share capital costs		7	14	18
Net cash outflow from financing		(108)	(100)	(144)
Cash inflow/(outflow) in the period	12	831	(716)	(771)

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.

The financial statements are prepared under the historic cost convention, modified by the revaluation of certain investments.

2. Accounting policies

Investments

Quoted and unquoted equity investments

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", quoted and unquoted equity investments are designated as fair value through profit or loss ("FVTPL"). Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. 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.

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

Quoted and 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.

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

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

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 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 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 gains/(losses) on fixed asset investments held at fair value through profit or loss account	131	(1,589)	(1,950)
Movement in loan stock capitalised accrued interest	-	-	24
Unrealised losses on fixed asset investments held at amortised cost	<u>(204)</u>	<u>(95)</u>	<u>(831)</u>
Unrealised losses sub-total	(73)	(1,684)	(2,757)
Realised losses on investments held at fair value through profit or loss account	<u>(131)</u>	<u>(1)</u>	<u>(1,137)</u>
Total	<u>(204)</u>	<u>(1,685)</u>	<u>(3,894)</u>

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 account			
UK dividend income	37	16	20
Management fees received from equity investments	-	18	18
Bank deposit interest	<u>7</u>	<u>33</u>	<u>46</u>
	44	67	84
Income recognised on investments held at amortised cost			
Return on loan stock investments	<u>305</u>	<u>464</u>	<u>730</u>
	<u>349</u>	<u>531</u>	<u>814</u>

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 7 August 2009 – 1.0 pence per share	210	–	–
First dividend paid on 22 August 2008 – 2.5 pence per share	–	529	529
Second dividend paid on 9 January 2009 – 2.0 pence per share	–	–	419
	210	529	948

The Directors have declared a dividend of 1 penny per share payable on 6 January 2010 to shareholders on the register as at 4 December 2009. The dividend will comprise 0.8 pence from revenue profits and 0.2 pence from the Special reserve. The approximate cost of the dividend is £207,500.

6. Recovery of VAT

Following the HMRC business briefing in July 2008 permitting the recovery of historic VAT that had been charged on management fees, the Company has recognised £10,000 in the six months to 30 September 2009 in addition to the £320,000 that was recognised in the Income statement for the year to 31 March 2009. This sum was received from the Manager during the period.

7. Basic and diluted return per share

The return per share has been calculated on 20,910,504 Ordinary shares excluding treasury shares (30 September 2008: 21,123,824; 31 March 2009: 21,052,104) 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 £3,331,000 (30 September 2008: £5,986,000; 31 March 2009: £4,300,000). Fixed asset investments held at amortised cost total £9,502,000 (30 September 2008: £10,349,000; 31 March 2009: £9,661,000).

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			
50,000,000 Ordinary shares of 50p each (30 September 2008 and 31 March 2009: 50,000,000)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid			
23,049,697 Ordinary shares of 50p each (30 September 2008: 23,350,529; 31 March 2009: 23,240,180)	<u>11,525</u>	<u>11,675</u>	<u>11,620</u>
Allotted, called up and fully paid excluding treasury shares			
20,746,742 Ordinary shares of 50p each (30 September 2008: 21,017,574; 31 March 2009: 20,917,225)	<u>10,373</u>	<u>10,562</u>	<u>10,459</u>

Under the terms of the Dividend Reinvestment Scheme Circular dated 11 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 per share pence per share	Consideration received £'000	Opening market price per share on allotment pence per share
7 August 2009	9,357	5	71.0	7	46.0

10. Treasury shares

The Company purchased 179,840 Ordinary shares (30 September 2008: 60,000; 31 March 2009: 265,267) for cancellation at a cost of £89,922 (30 September 2008: £58,800; 31 March 2009: £186,000) representing 8.6 per cent of the shares in issue (excluding treasury shares) as at 1 April 2009. The Company cancelled 20,000 Ordinary shares from the Treasury shares reserve, leaving a balance of 2,302,955 Ordinary shares in treasury which represent 9.99 per cent. of the Ordinary shares in issue as at 30 September 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	219	453	614
Investment management fees charged to capital	(102)	(147)	(253)
VAT recovered	7	182	240
Movement in accrued amortised loan stock interest	2	38	100
Decrease/(increase) in operating debtors	51	(251)	(48)
(Decrease)/increase in operating creditors	(39)	(27)	7
Net cash inflow from operating activities	<u>138</u>	<u>248</u>	<u>660</u>

Notes to the summarised set of 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	1,264	2,035	2,035
Net cash inflow/(outflow)	831	(716)	(771)
End of the period	2,095	1,319	1,264

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 had the following post balance sheet events:

- November 2009: Investment in City Screen (Liverpool) Limited of £52,000
- November 2009: Investment in CS (Greenwich) Limited of £38,000
- November 2009: Investment in CS (Brixton) Limited of £11,000
- November 2009: Investment in CS (Exeter) Limited of £4,000
- November 2009: Disposal of Portrait Software plc realising proceeds of £117,000

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 £136,000 (30 September 2008: £196,000; 31 March 2009: £337,000), were purchased by the Company from Albion Ventures LLP in respect of management fees and £14,000 (30 September 2008: £16,000; 31 March 2009: 29,000) purchased in relation to company secretarial and administration services. At the financial period end, the amount due to Albion Ventures LLP in respect of these services was £85,000 (30 September 2008: £98,000; 31 March 2009: £94,000).

Albion Ventures LLP has reclaimed VAT from HMRC as described in note 6. A net sum of £10,000 has been recognised in the Income statement for the period which is net of historic management fees to be paid to Albion Ventures LLP. There are no amounts outstanding as at 30 September 2009.

Patrick Reeve, a Director of the Company, is also the Managing Partner of the Manager, Albion Ventures LLP. During the period, the Company was charged by Albion Ventures LLP £7,500 in respect of his services as a Director (30 September 2008: £7,500; 31 March 2009: £15,000). At the period end, the amount due to Albion Ventures LLP in respect of these services disclosed as accruals and deferred income was £nil (30 September 2008: £4,000; 31 March 2009: £4,000).

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

16. Going Concern

The Board's assessment of liquidity risk remains unchanged, and is detailed on page 47 of the Annual Report & Financial Statements for the year ended 31 March 2009. The Company has sufficient cash and liquid resources. The portfolio of investments is spread across a variety of sectors, and the major cash outflows of the Company (namely investments, buybacks 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.

Notes to the Summarised set of 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 section 198(2) and (3) of the Companies Act 2006.

18. Publications

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.

