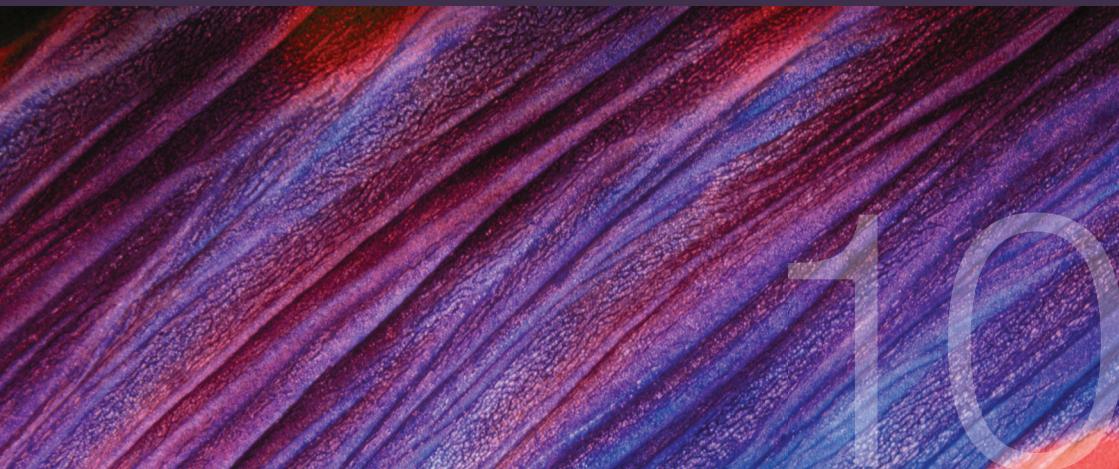


Half-yearly Financial Report  
(unaudited) for the six months to  
30 September 2010



## Albion Venture Capital Trust PLC

**ALBION**VENTURES

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# Company information

<b>Company number</b>	3142609
<b>Directors</b>	D Watkins MBA (Harvard), Chairman (US citizen) J M B L Kerr ACMA J Warren ACCA J Rounce FCA, FIH
<b>Investment Manager, company secretary and registered office</b>	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF Tel: 020 7601 1850 Fax: 020 7601 1875 <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 advisers</b>	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Albion Venture Capital Trust PLC is a member of the Association of Investment Companies.	
<b>Shareholder information</b>	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; Monday to Friday) Email: <a href="mailto:ssd@capitaregistrars.com">ssd@capitaregistrars.com</a> Website: <a href="http://www.capitaregistrars.com">www.capitaregistrars.com</a>
	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 (calls may be recorded; lines are open 9.00 am – 5.30 pm; Monday to Friday) Email: <a href="mailto:info@albion-ventures.co.uk">info@albion-ventures.co.uk</a> Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>
<b>IFA information</b>	Independent Financial Advisers with questions please contact Albion Ventures LLP: Tel: 020 7601 1850 (calls may be recorded; lines are open 9.00 am – 5.30 pm; Monday to Friday) Email: <a href="mailto:info@albion-ventures.co.uk">info@albion-ventures.co.uk</a> Website: <a href="http://www.albion-ventures.co.uk">www.albion-ventures.co.uk</a>

## Investment objectives

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

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

## Financial calendar

Record date for second dividend	3 December 2010
Payment date for second dividend	31 December 2010
Financial year end	31 March 2011

## Financial highlights (unaudited)

	Unaudited six months ended 30 September 2010 (pence per share)	Unaudited six months ended 30 September 2009 (pence per share)	Audited year ended 31 March 2010 (pence per share)
Net asset value	80.8	81.9	81.6
Revenue return	1.0	1.1	2.9
Capital return/(loss)	0.6	(2.0)	(1.7)
<b>Total shareholder net asset value return to 30 September 2010</b>			
Total dividends paid during the year ended :			
31 March 1997	2.00		–
31 March 1998	5.20	2.00	
31 March 1999	11.05	8.75	
31 March 2000	3.00	2.70	
31 March 2001	8.55	4.80	
31 March 2002	7.60	7.60	
31 March 2003	7.70	7.70	
31 March 2004	8.20	8.20	
31 March 2005	9.75	9.75	
31 March 2006	11.75	11.75	
31 March 2007	10.00	10.00	
31 March 2008	10.00	10.00	
31 March 2009	10.00	10.00	
31 March 2010	5.00	5.00	
Total dividends paid in the six months to	30 September 2010	2.50	2.50
<b>Total dividends paid to 30 September 2010</b>		112.30	100.75
Net asset value as at 30 September 2010		80.80	80.80
<b>Total shareholder net asset value return to 30 September 2010</b>		193.10	181.55

In addition to the above dividends paid, the Directors have declared a second dividend of 2.50 pence per share, payable on 31 December 2010 to shareholders on the register as at 3 December 2010.

# Interim management report

## Introduction

The results for Albion Venture Capital Trust plc for the six months to 30 September 2010 show a positive total return of 1.6 pence per share, which takes the net asset value to 80.8 pence per share; (31 March 2010: 81.6 pence per share) after the payment of the first dividend of the year of 2.5 pence per share. This represents an encouraging return to growth for the investment portfolio and it should be noted that, as independent third party valuations of the underlying investments are not carried out until the spring, the increase in the portfolio value represents the accumulated net cash profits in the investee companies, after payments of interest to the VCTs, over the six month period.

## Investment performance and progress

Our hotel investments showed a marked improvement over the previous period with a particularly strong performance from our Holiday Inn Express at Stansted Airport (Kew Green VCT (Stansted) Limited) and good trading at The Crown Hotel in Harrogate and The Bell Hotel at Sandwich (The Place Sandwich VCT Limited). Our new hotel at Stanwell, close to London Heathrow Airport Terminals 5 and 4, opened in April and has now reached operational profitability.

Our investments in "art house" cinemas have also shown an improvement over the previous period with particularly strong performances from the Ritzy in Brixton, the Greenwich Picturehouse and the Cambridge Arts Picturehouse and a pleasing increase in profitability at Cinema City in Norwich. In our pub portfolio, a good performance was seen in the four London pubs acquired by Geronimo Inns I and II VCT Limited, while the health and fitness clubs continue to build up their membership and to grow profitability.

The residual portfolio of residential developments continues to be wound down, with nearly £1.1 million returned to the VCT during the six month period and a further £0.2 million since the period end. There are now 12 units and one site, with an aggregate value in respect of the Company of £1.3 million, which currently remain unsold.

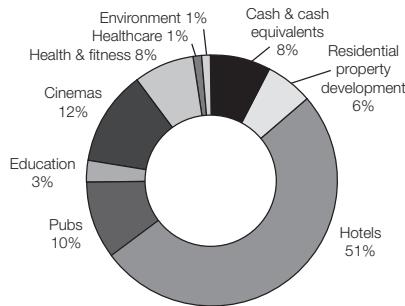
As regards new investments, our key commitment was for £801,000 into Radnor House School Limited, a new independent school which is being established on a freehold site on the Thames at Twickenham in

West London. In addition, £207,000 was committed (£64,000 has been invested) to TEG Biogas (Perth) Limited which is developing an aerobic digestion unit fed on local authority waste food and is based in Perth in Scotland. Both these investments represent new sectors for the VCT and provide further diversification on top of the recent investment in a psychiatric treatment centre outside Taunton in Somerset which was made in the spring of this year.

Subsequent to 30 September, the Company has invested £844,000 (out of a total commitment of £1,835,000) in Oakland Care Centre Limited which will be developing a 46-bed care home for residents suffering from dementia in Chingford, Essex.

Looking forwards, we will be placing particular emphasis on further investments both in the renewable energy sector and in the healthcare sector, where we see particularly attractive opportunities at the current time.

## Split of portfolio by valuation as at 30 September 2010:



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 renewed growth in the UK economy has become more firmly established, there is continuing uncertainty as to the impact on the economy of the Coalition Government's impending public spending cuts. Importantly, however, your Company continues to be cash generative while investment risk is mitigated through our policy of ensuring that the Company has a first charge over investee companies' assets. Meanwhile, opportunities within our target sectors continue to arise at attractive

# Interim management report (continued)

valuations, including the healthcare sector which continues to be one of our core areas of concentration going forwards.

Other risks and uncertainties remain unchanged and are as detailed on pages 18 and 19 of the Annual Report and Financial Statements for the year ended 31 March 2010.

## Related party transactions

Details of material related party transactions for the reporting period can be found in note 13 to this Half-yearly Financial Report.

## Share buy-backs and share price discount

It remains the Board's primary objective to maintain sufficient resources for investment in existing and new investee companies and for the continued payment of dividends to shareholders. Thereafter, it is still the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest. It is the Board's intention for such buy-backs to be in the region of a 10 to 15 per cent. discount to net asset value, so far as market conditions and liquidity permit. The Company will limit the sum available for share buy-backs for the six months to 31 March 2011 to £300,000. This compares to a total value bought in for the previous six months of £190,000.

## Results and dividends

As at 30 September 2010 the net asset value of the Company was £27.9 million or 80.8 pence per share compared to £28.4 million or 81.6 pence per share at 31 March 2010. The revenue return before taxation was £484,000 compared to £454,000 for the six months to 30 September 2009. The Company will pay a second dividend of 2.50 pence per share on 31 December 2010 to shareholders on the register as at 3 December 2010, making 5.0 pence per share in total for the full year in line with your Company's dividend target.

## Albion VCTs Linked Top Up Offer

Your Board, in conjunction with the Boards of the other VCTs managed by Albion Ventures LLP, has recently launched a top up offer of new Ordinary shares. Albion Venture Capital Trust PLC will be aiming to raise approximately £2.25m, a 15 per cent. share of the £15 million in aggregate that the Albion VCTs plan to raise. The maximum amount raised by each of the Albion VCTs will be the lower of Euros 2.5 million and

10 per cent. of its issued share capital (over any one 12 month period, and including any shares issued under Dividend Reinvestment Schemes), being the amount that they may issue under the Prospectus Rules without the publication of a full prospectus. The number of New Shares available may change depending on the £: euro exchange rate at the date of allotment. The proceeds will be used to provide further resources at a time when a number of attractive investment opportunities are being seen. An offer document has been sent to shareholders.

## Outlook and prospects

The outlook for the UK economy remains uncertain. In particular, the full impact of public sector cuts on the wider economy and the prospective increase in VAT have not yet been felt. There is a widely held view that interest rates will remain low in the short term, which will continue to depress income from deposits. With this in mind, the Company is looking to expand further its portfolio of asset-based, income producing investments, where we have seen an improvement in the pipeline at attractive prices across a broad range of industries, but with particular emphasis on the healthcare and environmental sectors.

## Changes to the Board of Directors

From October 2010, the Association of Investment Companies Code of Corporate Governance (to which your Company adheres) requires the Company to have an independent Chairman and a majority of independent directors, where, to be independent, a Director cannot serve on the Board of more than one Company managed by the Manager.

Therefore, as Chairman of Albion Venture Capital Trust VCT PLC, I resigned as a Director of Albion Income & Growth VCT PLC on 27 September 2010. As mentioned in the Chairman's statement in the Annual Report and Financial Statements to 31 March 2010, Jonathan Thornton retired as a Director of Albion Venture Capital Trust PLC on 30 September 2010. Therefore, the Board now has an independent Chairman and a majority of independent directors.

## David Watkins

Chairman

23 November 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 30 September 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 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 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 31 March 2010.

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

By order of the Board

**David Watkins**

Chairman

23 November 2010

# Portfolio of investments

The following is a summary of investments as at 30 September 2010:

Qualifying investments	% voting rights	% voting rights of AVL* managed companies	As at 30 September 2010		
			Cost £'000	Cumulative movement in value £'000	Total value £'000
<b>Hotels</b>					
Kew Green VCT (Stansted) Limited	28.2	50.0	4,389	2,130	6,519
The Stanwell Hotel Limited	24.6	50.0	3,323	(538)	2,785
The Crown Hotel Harrogate Limited	15.6	50.0	3,100	(884)	2,216
The Bear Hungerford Limited	26.1	50.0	2,088	(663)	1,425
The Place Sandwich VCT Limited	25.0	50.0	1,464	(439)	1,025
<b>Total investment in the hotel sector</b>			14,364	(394)	13,970
<b>Pubs</b>					
The Charnwood Pub Company Limited	8.8	50.0	3,086	(1,668)	1,418
Bravo Inns II Limited	4.7	50.0	505	(25)	480
Geronimo Inns I VCT Limited	3.4	50.0	270	40	310
Geronimo Inns II VCT Limited	3.4	50.0	270	40	310
Bravo Inns Limited	5.1	50.0	450	(205)	245
GB Pub Company VCT Limited	5.9	50.0	237	(146)	91
The Dunedin Pub Company VCT Limited	4.3	50.0	153	(99)	54
<b>Total investment in the pub sector</b>			4,971	(2,063)	2,908
<b>Cinemas and other leisure</b>					
City Screen (Cambridge) Limited	50.0	50.0	885	746	1,631
CS (Greenwich) Limited	18.3	50.0	1,035	(18)	1,017
CS (Brixton) Limited	6.4	50.0	274	81	355
City Screen (Liverpool) Limited	18.2	50.0	222	(37)	185
Premier Leisure (Suffolk) Limited	5.2	50.0	380	(283)	97
CS (Exeter) Limited	6.6	50.0	108	(16)	92
CS (Norwich) Limited	3.1	50.0	50	(6)	44
<b>Total investment in the cinema and other leisure sector</b>			2,954	467	3,421
<b>Health and fitness clubs</b>					
Weybridge Club Limited	8.2	50.0	1,330	(169)	1,161
Kensington Health Clubs Limited	4.9	50.0	1,124	(445)	679
Tower Bridge Health Clubs Limited	5.5	50.0	344	37	381
<b>Total investment in the health and fitness club sector</b>			2,798	(577)	2,221
<b>Residential property development</b>					
G&K Smart Developments VCT Limited	42.9	50.0	2,600	(1,144)	1,456
Prime VCT Limited	50.0	50.0	990	(630)	360
Chase Midland VCT Limited	38.1	50.0	34	(20)	14
<b>Total investment in the residential property development sector</b>			3,624	(1,794)	1,830
<b>Healthcare sector</b>					
Taunton Nursing Home Limited	6.0	50.0	380	7	387
Orchard Portman Hospital Limited	2.0	50.0	69	2	71
<b>Total investment in the healthcare sector</b>			449	9	458
<b>Education sector</b>					
Radnor House School Limited	4.6	50.0	801	4	805
<b>Total investment in the education sector</b>			801	4	805
<b>Environmental sector</b>					
TEG Biogas (Perth) Limited	7.1	32.9	64	–	64
<b>Total investment in the environmental sector</b>			64	–	64
<b>Total qualifying investments</b>			30,025	(4,348)	25,677

## Portfolio of investments (continued)

Non-qualifying investments	% voting rights	% voting rights of AVL* managed companies	As at 30 September 2010		
			Cost £'000	Cumulative movement in value £'000	Total value £'000
<b>Hotels</b> The Place Sandwich VCT Limited	–	–	176	263	439
<b>Total investment in the hotel sector</b>			176	263	439
<b>Total fixed asset investments</b>			30,201	(4,085)	26,116

\* AVL is Albion Ventures LLP

# Summary income statement

		Unaudited six months ended 30 September 2010			Unaudited six months ended 30 September 2009			Audited year ended 31 March 2010			
		Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	
Gains/(losses) on investments	3	—	333	333	333	—	(571)	(571)	—	(286)	(286)
Investment income	4	687	—	687	687	633	—	633	1,330	—	1,330
Investment management fees		(70)	(211)	(281)	(281)	(73)	(219)	(292)	(144)	(433)	(577)
Recovery of VAT		—	—	—	—	7	21	28	7	21	28
Other expenses		(133)	—	(133)	(133)	(113)	—	(113)	(208)	—	(208)
<b>Return/(loss) on ordinary activities before tax</b>		<b>484</b>	<b>122</b>	<b>606</b>		454	(769)	(315)	985	(698)	287
Tax (charge)/ credit on ordinary activities		(131)	63	(68)	(68)	(58)	55	(3)	18	120	138
<b>Return/(loss) attributable to shareholders</b>		<b>353</b>	<b>185</b>	<b>538</b>		396	(714)	(318)	1,003	(578)	425
<b>Basic and diluted return/(loss) per share (pence)*</b>		<b>1.0</b>	<b>0.6</b>	<b>1.6</b>		1.1	(2.0)	(0.9)	2.9	(1.7)	1.2

\* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2009 and the audited statutory accounts for the year ended 31 March 2010.

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 30 September 2010 £'000	Unaudited 30 September 2009 £'000	Audited 31 March 2010 £'000
<b>Fixed asset investments</b>				
Qualifying		<b>25,677</b>	23,997	25,575
Non-qualifying		<b>439</b>	723	639
<b>Total fixed asset investments</b>	7	<b>26,116</b>	24,720	26,214
<b>Current assets</b>				
Trade and other debtors		<b>12</b>	1	382
Current asset investment		—	1,481	—
Cash at bank and in hand	10	<b>2,261</b>	2,821	2,103
		<b>2,273</b>	4,303	2,485
<b>Creditors: amounts falling due within one year</b>		<b>(475)</b>	(386)	(299)
<b>Net current assets</b>		<b>1,798</b>	3,917	2,186
<b>Net assets</b>		<b>27,914</b>	28,637	28,400
<b>Capital and reserves</b>				
Called up share capital	8	<b>18,075</b>	18,025	18,050
Share premium		<b>77</b>	62	69
Capital redemption reserve		<b>1,914</b>	1,914	1,914
Unrealised capital reserve		<b>(4,268)</b>	(4,880)	(4,599)
Special reserve		<b>13,236</b>	14,110	13,236
Treasury shares reserve		<b>(1,222)</b>	(893)	(1,032)
Realised capital reserve		<b>(441)</b>	(150)	(295)
Revenue reserve		<b>543</b>	449	1,057
<b>Total equity shareholders' funds</b>		<b>27,914</b>	28,637	28,400
Basic and diluted net asset value per share (pence)*		<b>80.8</b>	81.9	81.6

\* excluding treasury shares

Comparative figures have been extracted from the unaudited Half-yearly Financial Report for the six months ended 30 September 2009 and the audited statutory accounts for the year ended 31 March 2010.

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 23 November 2010, and were signed on its behalf by

## David Watkins

Chairman

Company number: 3142609

# 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 April 2010 (audited)</b>	18,050	69	1,914	(4,599)	13,236	(1,032)	(295)	1,057	28,400
Realised gains	–	–	–	–	–	–	2	–	2
Unrealised gains	–	–	–	331	–	–	–	–	331
Capitalised investment management fees	–	–	–	–	–	–	(211)	–	(211)
Tax relief on costs charged to capital	–	–	–	–	–	–	63	–	63
Purchase of own treasury shares	–	–	–	–	–	(190)	–	–	(190)
Issue of equity (net of costs)	25	8	–	–	–	–	–	–	33
Revenue return attributable to shareholders	–	–	–	–	–	–	353	353	353
Dividends paid	–	–	–	–	–	–	(867)	(867)	(867)
<b>As at 30 September 2010 (unaudited)</b>	<b>18,075</b>	<b>77</b>	<b>1,914</b>	<b>(4,268)</b>	<b>13,236</b>	<b>(1,222)</b>	<b>(441)</b>	<b>543</b>	<b>27,914</b>
<b>As at 1 April 2009 (audited)</b>	18,002	53	1,914	(4,309)	14,110	(823)	(7)	930	29,870
Unrealised losses	–	–	–	(571)	–	–	–	–	(571)
Capitalised investment management fees	–	–	–	–	–	–	(219)	–	(219)
Tax relief on costs charged to capital	–	–	–	–	–	–	55	–	55
Recoverable VAT capitalised	–	–	–	–	–	–	21	–	21
Purchase of own treasury shares	–	–	–	–	–	(70)	–	–	(70)
Issue of equity (net of costs)	23	9	–	–	–	–	–	–	32
Revenue return attributable to shareholders	–	–	–	–	–	–	396	396	396
Dividends paid	–	–	–	–	–	–	(877)	(877)	(877)
<b>As at 30 September 2009 (unaudited)</b>	<b>18,025</b>	<b>62</b>	<b>1,914</b>	<b>(4,880)</b>	<b>14,110</b>	<b>(893)</b>	<b>(150)</b>	<b>449</b>	<b>28,637</b>
<b>As at 1 April 2009 (audited)</b>	18,002	53	1,914	(4,309)	14,110	(823)	(7)	930	29,870
Realised gains	–	–	–	–	–	–	51	–	51
Unrealised losses	–	–	–	(337)	–	–	–	–	(337)
Transfer of previously unrealised losses to realised losses	–	–	–	47	–	–	(47)	–	–
Capitalised investment management fees	–	–	–	–	–	–	(433)	–	(433)
Tax relief on costs charged to capital	–	–	–	–	–	–	120	–	120
Recoverable VAT capitalised	–	–	–	–	–	–	21	–	21
Purchase of own treasury shares	–	–	–	–	–	(209)	–	–	(209)
Issue of equity (net of costs)	48	16	–	–	–	–	–	–	64
Revenue return attributable to shareholders	–	–	–	–	–	–	1,003	1,003	1,003
Dividends paid	–	–	–	–	(874)	–	–	(876)	(1,750)
<b>As at 31 March 2010 (audited)</b>	<b>18,050</b>	<b>69</b>	<b>1,914</b>	<b>(4,599)</b>	<b>13,236</b>	<b>(1,032)</b>	<b>(295)</b>	<b>1,057</b>	<b>28,400</b>

\* Included within these reserves is an amount of £7,848,000 (30 September 2009: £8,636,000; 31 March 2010: £8,367,000) 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	Unaudited	Audited
		six months ended	30 September 2009	
		30 September 2010 £'000	£'000	31 March 2010 £'000
<b>Operating activities</b>				
Investment income received		660	548	1,248
Deposit interest received		13	24	50
Dividend income received		–	43	43
Investment management fees paid		(284)	(340)	(620)
Recovery of VAT		–	238	243
Other cash payments		(154)	(138)	(254)
<b>Net cash inflow from operating activities</b>	9	<b>235</b>	375	710
<b>Taxation</b>				
UK corporation tax recovered/(paid)		514	81	(251)
<b>Capital expenditure and financial investments</b>				
Purchase of fixed asset investments		(988)	(650)	(2,156)
Disposal of fixed asset investments		1,421	1,431	1,701
<b>Net cash inflow/(outflow) from investing activities</b>		<b>433</b>	781	(455)
<b>Management of liquid resources</b>				
Disposal of current asset investment		–	–	1,496
<b>Net cash inflow from liquid resources</b>		<b>–</b>	–	1,496
<b>Equity dividends paid</b>				
Dividends paid (net of cost of shares issued under the dividend reinvestment scheme)		(827)	(837)	(1,672)
<b>Net cash inflow/(outflow) before financing</b>		<b>355</b>	400	(172)
<b>Financing</b>				
Purchase of own shares		(190)	(70)	(209)
Costs of issue of share capital		(7)	(7)	(14)
<b>Net cash outflow from financing</b>		<b>(197)</b>	(77)	(223)
<b>Cash inflow/(outflow) in the period</b>	10	<b>158</b>	323	(395)

# Notes to the unaudited summarised financial statements for the six months ended 30 September 2010

## 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.

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.

## 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. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

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*

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 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.

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 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 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

# Notes to the unaudited summarised financial statements for the six months ended 30 September 2010 (continued)

## **Cap on Total Expense Ratio ("TER")**

The ratio of total normal expenses (excluding corporation tax, any management performance incentive and exceptional costs) is limited to 3.5 per cent. per annum of net assets, with any excess being borne by the Manager through a reduction in its management fee. For the six month period to 30 September 2010, the TER was 3.0 per cent.

## **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 period 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 ended 30 September 2010 (continued)

## 3. Gains/(losses) on investments

	Unaudited six months ended 30 September 2010 £'000	Unaudited six months ended 30 September 2009 £'000	Audited year ended 31 March 2010 £'000
Unrealised gains/(losses) on fixed asset investments held at fair value through profit or loss account	<b>292</b>	(374)	(67)
Unrealised gain/(losses) on fixed asset investments held at amortised cost	<b>39</b>	(215)	(270)
<b>Unrealised gains/(losses) on fixed asset investments</b>	<b>331</b>	(589)	(337)
Unrealised gains on current asset investments held at fair value through profit or loss account	—	18	—
<b>Unrealised gain/(losses) sub-total</b>	<b>331</b>	(571)	(337)
Realised gains on investments held at fair value through profit or loss account	—	—	4
Realised gains on investments held at amortised cost	<b>2</b>	—	14
Realised gains on current asset investments held at fair value through profit or loss account	—	—	33
<b>Realised gains sub-total</b>	<b>2</b>	—	51
<b>Total</b>	<b>333</b>	(571)	(286)

Investments valued on an amortised cost basis are unquoted loan stock instruments.

## 4. Investment income

	Unaudited six months ended 30 September 2010 £'000	Unaudited six months ended 30 September 2009 £'000	Audited year ended 31 March 2010 £'000
<b>Income recognised on investments held at fair value through profit or loss account</b>			
UK dividend income	—	43	43
Floating rate note interest	—	12	13
Bank deposit interest	<b>12</b>	11	31
Other income	<b>13</b>	—	6
	<b>25</b>	66	93
<b>Income recognised on investments held at amortised cost</b>			
Return on loan stock investments	<b>662</b>	567	1,237
	<b>687</b>	633	1,330

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

# Notes to the unaudited summarised financial statements for the six months ended 30 September 2010 (continued)

## 5. Dividends

	Unaudited six months ended 30 September 2010 £'000	Unaudited six months ended 30 September 2009 £'000	Audited year ended 31 March 2010 £'000
First dividend paid on 31 July 2009 – 2.5 pence per share	–	877	876
Second dividend paid on 6 January 2010 – 2.5 pence per share	–	–	874
First dividend paid 25 June 2010 – 2.5 pence per share	867	–	–
	<b>867</b>	<b>877</b>	<b>1,750</b>

The Directors have declared a dividend of 2.50 pence per share (total approximately £864,000), payable on 31 December 2010 to shareholders on the register as at 3 December 2010.

## 6. Basic and diluted return/(loss) per share

	Unaudited six months ended 30 September 2010		Unaudited six months ended 30 September 2009		Audited year ended 31 March 2010	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Return/(loss) attributable to						
Ordinary shares (£'000)	<b>353</b>	<b>185</b>	396	(714)	1,003	(578)
Weighted average shares in issue	<b>34,636,675</b>		35,017,904		34,978,284	
Return/(loss) per Ordinary share (pence)	<b>1.0</b>	<b>0.6</b>	1.1	(2.0)	2.9	(1.7)

The weighted number of shares is calculated excluding treasury shares of 1,582,278 (30 September 2009: 1,096,679; 31 March 2010: 1,303,278).

There are no convertible instruments, derivatives or contingent share agreements in issue for Albion Venture Capital Trust PLC hence there are no dilution effects to the return per share. The basic return per share is therefore the same as the diluted return per share.

## 7. Investments

Ordinary share fixed asset investments held at fair value through profit or loss total £7,580,000 (30 September 2009: £6,877,000; 31 March 2010: £7,684,000). Fixed asset investments held at amortised cost total £18,536,000 (30 September 2009: £17,843,000; 31 March 2010: £18,530,000).

# Notes to the unaudited summarised financial statements for the six months ended 30 September 2010 (continued)

## 8. Share capital

	Unaudited six months ended 30 September 2010 £'000	Unaudited six months ended 30 September 2009 £'000	Audited year ended 31 March 2010 £'000
<b>Authorised</b>			
68,000,000 Ordinary shares of 50p each (30 September 2009 and 31 March 2010: 68,000,000 Ordinary shares of 50p each)	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>
<b>Allotted, called up and fully paid</b>			
36,149,006 Ordinary shares of 50p each (30 September 2009: 36,051,050; 31 March 2010: 36,099,232 of 50p each)	<u>18,075</u>	<u>18,025</u>	<u>18,050</u>

## Voting rights

34,566,728 Ordinary shares of 50p each (net of treasury shares) (30 September 2009: 34,954,371; 31 March 2010: 34,795,954 of 50p each)

During the period to 30 September 2010 the Company purchased 279,000 Ordinary shares to be held in treasury at a cost of £190,000, representing 0.8% of the shares in issue as at 1 April 2010. The shares purchased for treasury were funded from the Treasury shares reserve.

The total number of Ordinary shares held in treasury as at 30 September 2010 was 1,582,278 (30 September 2009: 1,096,679; 31 March 2010: 1,303,278) representing 4.4% of the share capital as at 30 September 2010.

Under the terms of the Dividend Reinvestment Scheme Circular dated 10 July 2008, the following Ordinary shares of nominal value 50 pence per share were allotted at a price of 79.1 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)
25 June 2010	49,774	25	39	70.0

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

	Unaudited six months ended 30 September 2010 £'000	Unaudited six months ended 30 September 2009 £'000	Audited year ended 31 March 2010 £'000
Revenue return on ordinary activities before tax	484	454	985
Investment management fee charged to capital	(211)	(219)	(433)
Recoverable VAT capitalised	–	21	21
Movement in accrued amortised loan stock interest	(2)	(18)	5
(Increase)/decrease in operating debtors	(10)	197	197
Decrease in operating creditors	(26)	(60)	(65)
<b>Net cash inflow from operating activities</b>	<b>235</b>	<b>375</b>	<b>710</b>

# Notes to the unaudited summarised financial statements for the six months ended 30 September 2010 (continued)

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

	Unaudited six months ended 30 September 2010 £'000	Unaudited six months ended 30 September 2009 £'000	Audited year ended 31 March 2010 £'000
Opening cash balances	2,103	2,498	2,498
Net cash inflow/(outflow)	158	323	(395)
<b>End of the period</b>	<b>2,261</b>	<b>2,821</b>	<b>2,103</b>

## 11. Commitments and contingencies

As at 30 September 2010, the Company was committed to making a further investment of £143,000 in TEG Biogas (Perth) Limited, following its initial investment of £64,000 in July 2010.

There are no contingencies or guarantees of the Company as at 30 September 2010 (30 September and 31 March 2009: nil).

## 12. Post balance sheet events

Since 30 September 2010, the Company has completed the following transactions:

- October 2010: Investment of £82,000 (including £56,000 previously committed) in Bravo Inns II Limited (Total new commitment: £70,000)
- November 2010: Investment of £844,000 in Oakland Care Centre Limited (Total commitment: £1,835,000)

The Board, in conjunction with the Boards of the other VCTs managed by Albion Ventures LLP, has recently launched a top up offer of new Ordinary shares. Albion Venture Capital Trust PLC will be aiming to raise approximately £2.25m, a 15 per cent. share of the £15 million in aggregate that the Albion VCTs plan to raise. The maximum amount raised by each of the Albion VCTs will be the lower of Euros 2.5 million, and 10 per cent. of its issued share capital (over any one 12 month period, and including any shares issued under Dividend Reinvestment Schemes), being the amount that they may issue under the Prospectus Rules without the publication of a full prospectus. The number of New Shares available may change depending on the £: euro exchange rate at the date of allotment. The proceeds will be used to provide further resources at a time when a number of attractive investment opportunities are being seen. An offer document has been sent to shareholders.

## 13. 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 20 of the Annual Report and Financial Statements for the year ended 31 March 2010). During the period, services of a total value of £281,000 in management fees and £21,000 in administration fees (30 September 2009: £293,000 in management fees and £20,000 in administration fees; 31 March 2010: £577,000 in management fees and £39,955 in administration fees), 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 disclosed within accruals and deferred income was £166,000 (30 September 2009: £159,000; 31 March 2010: £175,000).

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

## 14. Going concern

The Board's assessment of liquidity risk remains unchanged since the last Annual Report and Financial Statements for the year ended 31 March 2010, and is detailed on page 27 of those accounts. The Company has adequate cash and liquid resources. The portfolio of investments is diversified in terms of sector, and the major cash outflows of the Company (namely investments, dividends and share buy-backs) are within the Company's control. Accordingly, after making diligent enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in

# **Notes to the unaudited summarised financial statements for the six months ended 30 September 2010 (continued)**

preparing this Half-yearly Financial Report and this is in accordance with 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' published by the Financial Reporting Council.

## **15. 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 2010 and 30 September 2009, and is unaudited. The information for the year ended 31 March 2010 does not constitute statutory accounts within the terms of section 434 of the Companies Act 2006 but is derived from the audited statutory accounts for the financial year, which were unqualified and which have been delivered to the Registrar of Companies. The 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.

## **16. Publication**

This Half-yearly Financial Report is being sent to shareholders and copies will be made available to the public at the registered office of the Company, Companies House, the National Storage Mechanism and also electronically at [www.albion-ventures.co.uk](http://www.albion-ventures.co.uk) under the 'Our Funds' section.

Albion Venture Capital Trust PLC

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