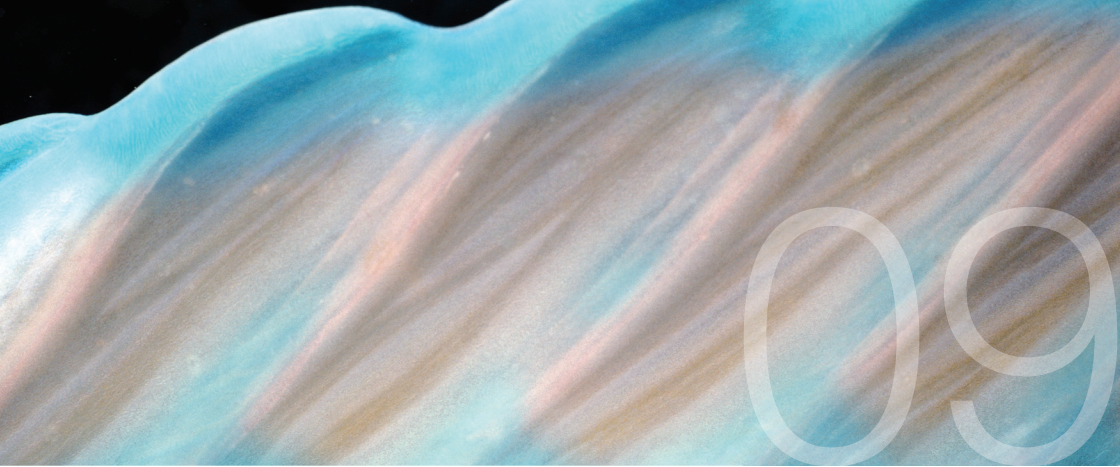


Half-yearly Financial Report
(unaudited) for the six months to
30 June 2009



Albion Development VCT PLC

ALBIONVENTURES

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Company Information

Company number	3654040
Directors	G O Vero FCA, Chairman D C Pinckney FCA, MA A J Phillipps PhD, MBA J G T Thornton MA, MBA, FCA
Company secretary and registered office	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF
Investment manager	Albion Ventures LLP 1 King's Arms Yard London EC2R 7AF
Registrars	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA
Custodian	Capita Trust Company Limited Phoenix House 7th Floor 18 King William Street London EC4N 7HE
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Taxation adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Legal advisers	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA

Albion Development VCT PLC is a member of the Association of Investment Companies.

Shareholder information	For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars Limited: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras) Email: ssd@capitaregistrars.com Website: www.capitaregistrars.com For enquiries relating to the performance of the Fund please contact Albion Ventures LLP: Tel: 020 7601 1850 Email: 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) Email: info@albion-ventures.co.uk Website: www.albion-ventures.co.uk

Investment Objectives

Albion Development VCT PLC (the "Company") is a venture capital trust which raised a total of £14.6 million through an issue of shares in 1999, £11.7 million through an issue of C shares in late 2002 and the first half of 2003 and a further £7.0 million through a new C share issue during 2004. The C shares merged with the Ordinary shares in 2007.

The investment strategy of the Company is to establish a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risks normally associated with investment in such companies. It is intended that this will be achieved as follows:

- Through investment in lower risk, often property based investments that provide a strong income stream to the VCT combined with a protection of capital. These include freehold-based businesses in the leisure sector, such as pubs and health clubs, as well as stable and profitable businesses in other sectors including business services and healthcare. Such investments will constitute the majority of investments by cost.
- This is balanced by a smaller number of higher risk companies with greater growth prospects in sectors such as support, software and computer services.
- In neither category do investee companies normally have any external borrowings with a prior charge ranking ahead of the VCT.
- Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the investee company's assets.

Financial Calendar

Record date for second dividend	28 August 2009
Payment date for second dividend	25 September 2009
Financial year end	31 December 2009

Financial Highlights

	30 June 2009 (pence per share)	30 June 2008 (pence per share)
Net asset value	79.2	102.8
Revenue return	1.0	2.6
Capital (loss)/return	(6.6)	1.7

	Ordinary shares (pence per share) ⁽ⁱ⁾	C shares (pence per share) ⁽ⁱⁱ⁾
Total shareholder net asset value return to 30 June 2009		
Total dividends paid during the year ended:		
31 December 1999 ⁽ⁱ⁾	1.00	–
31 December 2000	2.90	–
31 December 2001	3.95	–
31 December 2002	4.20	–
31 December 2003 ⁽ⁱⁱⁱ⁾	4.50	0.75
31 December 2004	4.00	2.00
31 December 2005	5.20	5.90
31 December 2006	3.00	4.50
31 December 2007 ^(iv)	5.00	5.36
31 December 2008 ^(iv)	12.00	12.86
	<hr/>	<hr/>
Total dividends paid to 30 June 2009	45.75	31.37
Net asset value as at 30 June 2009 ^(iv)	79.20	84.86
	<hr/>	<hr/>
Total shareholder net asset value return to 30 June 2009	124.95	116.23

A dividend of 4 pence per share was paid in advance of the first dividend for the year ending 31 December 2009, on 30 December 2008.

The Directors have declared a dividend of 4 pence per share comprising 2 pence from revenue profits and 2 pence from realised capital profits. The dividend will be payable on 25 September 2009 to shareholders on the register as at 28 August 2009.

Notes

- (i) Assuming subscription for Ordinary shares by the First Closing on 26 January 1999.
- (ii) Excludes tax benefits upon subscription.
- (iii) Those subscribing for C shares after 30 June 2003 were not entitled to the interim dividend.
- (iv) The C shares were converted into Ordinary shares on 31 March 2007, with a conversion ratio of 1.0715 Ordinary shares for each C share. The net asset value per share and all dividends paid subsequent to the conversion of the C shares to the Ordinary shares are multiplied by the conversion factor of 1.0715 in respect of the C shares return, in order to give an accurate picture of the shareholder value since launch relating to the C shares.

Interim Management Report

Introduction

The results for Albion Development VCT PLC for the six months to 30 June 2009 show a negative total return of 5.6 pence per share (30 June 2008: 4.3 pence per share positive return; 31 December 2008: 4.3 pence per share negative return). This reflects our continuing cautious view of investment valuations in a difficult economic climate and does not alter our longer-term confidence in the prospects of the portfolio as a whole.

Investment performance and progress

A number of our investee companies saw an increase in profitability during the period. However, the majority of the write down in the portfolio as a whole, however, came as a result of third party valuations of the property-based investments. The largest was in Evolutions Television, whose freehold offices off Oxford Street in central London reduced in value by one-third. Our pub and health and fitness club investments were also written down in line with the commercial property market, although the great majority of these units are trading profitably. In addition, provision was made against Chichester Holdings (drinks distribution) which saw a decline in its previously strong levels of profitability. Nevertheless, the portfolio as a whole remains stable, despite the cautious view of investment valuations, since it is the Company's policy to ensure that investee companies do not have external bank borrowings.

The investment portfolio has also seen a decline in investment income over the period. Much of this is the result of the current very low market interest rates which look set to continue for the time-being; these have not only resulted in a sharp decline in non-qualifying income, but have also affected the revenue from qualifying investments where certain loan stocks have floating rate interest. In addition, income for the first six months of 2008 was affected by two non-recurring events, being the sale of Grosvenor Health and the re-structuring of our loan stock in Evolutions Television.

The Company invested £602,000 in unquoted companies during the period, of which £210,000 was in Forth Photonics, a company involved in the development and sale of detectors for cervical

cancer. The balance was invested in existing investee companies, to fund either further purchases at attractive prices (in the case of pubs), further organic growth or to ensure that the relevant investee company achieves profitability.

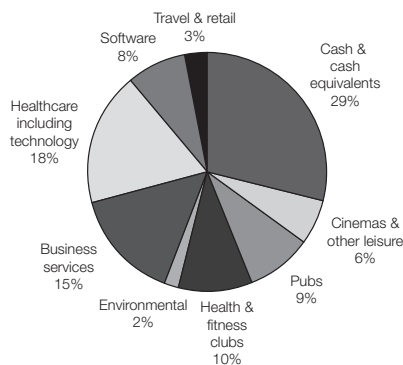
Related party transactions

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

Risks and uncertainties

The key risks affecting the Company remain the recession in the UK and the difficult continuing outlook for the world economy in general. As mentioned above, because it is our policy that investee companies do not have external gearing, our portfolio remains relatively well equipped to cope with this broader, negative climate. Other risks and uncertainties remain unchanged, and are as detailed on page 19 of the Annual Report & Financial Statements for the year ended 31 December 2008.

Split of portfolio valuation by sector as at 30 June 2009



Source: Albion Ventures LLP

Outlook

The key tasks for the Company are threefold: first, to ensure that those companies that are not yet in profit, are positioned to achieve profitability, second, that the investment portfolio is capable of generating a satisfactory level of income for the Company, and third, to take advantage of the interesting investment

Interim Management Report continued

opportunities at attractive values that are now available in the market. Good progress has been made in the first area over the past six months and, in the second we are continuing to focus on generating income from our loan stock investments. In the third, we are particularly concentrating on areas such as healthcare and environment, both in technology and non-technology areas, where we see strong, longer-term growth. Having said that, we are also taking advantage of value opportunities in other sectors as they arise.

New D Share issue

In June 2009, the Board announced its intention to launch a new D share issue in the Autumn of this year, to raise £25 million before expenses.

The Offer would create a separate class of shares 'D Shares' in the Company which would eventually merge with the existing Ordinary shares.

The issue will be subject to shareholder approval, and further details will be sent to shareholders in due course.

Results and dividends

As at 30 June 2009 the net asset value was £23.6 million (30 June 2008: £31.2 million; 31 December 2008: £25.4 million). Revenue return before tax for the six months was £386,000 (30 June 2008: £1.1 million; 31 December 2008: £1.7 million). Capital losses on investments were £1.9 million for the first six months of 2009 compared to £3.1 million for the second six months of 2008 and £2.3 million for the year to 31 December 2008.

Shareholders will recall that a third dividend of 4 pence per share was paid in December 2008 and that therefore no first dividend was paid in respect of the current year. A second dividend of 4 pence per share will be paid on 25 September 2009 to shareholders on the register at 28 August 2009. Bi-annual dividends will resume their normal pattern in 2010.

Geoffrey Vero

Chairman

20 August 2009

Responsibility Statement

The Directors, as listed on page 2, 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 June 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 June 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 December 2008.

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

By order of the Board

Geoffrey Vero
Chairman

20 August 2009

Portfolio of Investments (unaudited)

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

Investee company	% voting rights	% voting rights of AVL* managed companies	Investment to date at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000
Evolutions Television Limited	23.7	49.9	4,255	(1,919)	2,336
The Weybridge Club Limited	9.4	50.0	1,520	(153)	1,367
Mears Group plc**	0.6	0.6	1,600	(567)	1,033
Blackbay Limited	7.0	32.9	764	195	959
Peakdale Molecular Limited	9.2	15.5	1,353	(403)	950
CS (Greenwich) Limited	15.5	50.0	850	(154)	696
Droxford Hospital Limited	12.6	50.0	675	(3)	672
Kensington Health Clubs Limited	5.1	50.0	1,124	(473)	651
Consolidated PR Limited	10.6	21.1	691	(118)	573
Chichester Holdings Limited	10.6	50.0	700	(200)	500
The Q Garden Company Limited	33.3	49.8	1,198	(698)	500
Tower Bridge Health Clubs Limited	4.5	50.0	494	(63)	431
Dexela Limited	5.9	37.3	415	9	424
Prime Care Holdings Limited	8.1	42.2	386	12	398
CS (Brixton) Limited	8.4	50.0	325	48	373
Bravo Inns II Limited	4.2	50.0	360	(18)	342
Helveta Limited	3.8	28.6	364	(66)	298
RFI Global Services Limited	6.2	27.0	515	(239)	276
Lowcosttravelgroup Limited	3.1	13.9	435	(179)	256
Xceleron Limited	3.9	45.1	356	(106)	250
Mi-Pay Limited	3.9	38.5	310	(67)	243
Mirada Limited	7.2	45.0	240	2	242
The Charnwood Pub Company Limited	4.7	50.0	280	(59)	221
Welland Inns VCT Limited	6.1	50.0	600	(387)	213
Forth Photonics Limited	1.7	12.2	210	-	210
GB Pub Company Limited	9.1	50.0	406	(222)	184
The Dunedin Pub Company VCT Limited	6.2	50.0	317	(159)	158
Opta Sports Data Limited	1.4	15.3	140	11	151
Rostima Limited	4.2	35.0	315	(167)	148
Premier Leisure (Suffolk) Limited	5.9	45.0	480	(353)	127
Bravo Inns Limited	2.6	50.0	230	(106)	124
CS (Exeter) Limited	8.3	45.0	125	(2)	123

Portfolio of Investments (unaudited) continued

Summary of the qualifying fixed asset investments as at 30 June 2009 (continued).

Investee company	% voting rights	% voting rights of AVL* managed companies	Investment to date at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000
Novello Limited	8.2	50.0	233	(125)	108
Point 35 Microstructures Limited	1.6	28.1	124	(40)	84
Oxsensis Limited	1.6	22.3	145	(72)	73
Process Systems Enterprise Limited	0.7	11.9	95	(39)	56
Vibrant Energy Surveys Limited	3.1	25.6	240	(193)	47
City Screen (Liverpool) Limited	4.5	50.0	50	(10)	40
CS (Norwich) Limited	3.1	45.0	50	(15)	35
River Bourne Health Club Limited	5.0	50.0	100	(81)	19
Pelican Inn Limited	9.4	50.0	43	(41)	2
Total qualifying investments			23,113	(7,220)	15,893

* Albion Ventures LLP

** AIM quoted investment

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

Investee company	% voting rights	% voting rights of AVL* managed companies	Investment to date at cost £'000	Cumulative movement in carrying/fair value £'000	Total carrying/fair value £'000
Smiles Pub Company Limited	48.4	100.0	929	(155)	774
Consolidated PR Limited	2.2	4.4	33	21	54
Total non-qualifying investments			962	(134)	828
Total fixed asset investments			24,075	(7,354)	16,721

* Albion Ventures LLP

Summary Income Statement

	Note	Unaudited six months ended 30 June 2009			Unaudited six months ended 30 June 2008			Audited year ended 31 December 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	-	(1,889)	(1,889)	-	776	776	-	(2,326)	(2,326)
Investment income	4	531	-	531	1,348	-	1,348	1,978	-	1,978
Investment Management fees		(69)	(207)	(276)	(124)	(367)	(491)	(184)	(547)	(731)
Recovery of VAT	6	23	70	93	-	-	-	104	310	414
Other expenses		(99)	-	(99)	(120)	-	(120)	(224)	-	(224)
Return/(loss) on ordinary activities before tax		386	(2,026)	(1,640)	1,104	409	1,513	1,674	(2,563)	(889)
Tax (charge)/credit on ordinary activities		(86)	39	(47)	(322)	99	(223)	(487)	70	(417)
Return/(loss) attributable to shareholders		300	(1,987)	(1,687)	782	508	1,290	1,187	(2,493)	(1,306)
Basic and diluted return/(loss) per share (pence)*	7	1.0	(6.6)	(5.6)	2.6	1.7	4.3	3.9	(8.2)	(4.3)

* excluding treasury shares

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

The accompanying notes on pages 15 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 June 2009 £'000	Unaudited 30 June 2008 £'000	Audited 31 December 2008 £'000
Fixed asset investments				
Qualifying		15,893	18,536	17,434
Non-qualifying		828	935	856
Total fixed asset investments	8	16,721	19,471	18,290
Current assets				
Trade and other debtors		218	270	708
Current asset investments		–	2,977	3,014
Cash at bank and in hand	12	6,813	9,292	3,790
		7,031	12,539	7,512
Creditors: amounts falling due within one year		(133)	(813)	(369)
Net current assets		6,898	11,726	7,143
Net assets		23,619	31,197	25,433
Capital and reserves				
Called-up share capital	9	16,307	16,219	16,307
Share premium		3,266	3,208	3,266
Special reserve		9,223	9,223	9,223
Capital redemption reserve		1,183	1,183	1,183
Own treasury shares reserve		(2,399)	(1,825)	(2,272)
Realised reserve		2,400	4,290	2,459
Unrealised capital reserve		(7,550)	(2,562)	(5,622)
Revenue reserve		1,189	1,461	889
Total equity shareholders' funds		23,619	31,197	25,433
Net asset value per share (pence)*		79.2	102.8	84.8

* excluding treasury shares

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

The accompanying notes on pages 15 to 20 form an integral part of this Half-yearly Financial Report.

Geoffrey Vero

Chairman

Summary Reconciliation of Movement in Shareholders' Funds

	Called-up share capital £'000	Share premium £'000	Special reserve* £'000	Capital redemption reserve £'000	Own treasury shares reserve* £'000	Realised capital reserve* £'000	Unrealised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2009 (audited)	16,307	3,266	9,223	1,183	(2,272)	2,459	(5,622)	889	25,433
Net realised gains on investments in the period	-	-	-	-	-	39	-	-	39
Movement in unrealised appreciation	-	-	-	-	-	-	(1,928)	-	(1,928)
Capitalised investment management fees	-	-	-	-	-	(207)	-	-	(207)
Tax relief on costs charged to capital	-	-	-	-	-	39	-	-	39
Recoverable VAT capitalised	-	-	-	-	-	70	-	-	70
Purchase of own treasury shares	-	-	-	-	(127)	-	-	-	(127)
Revenue return attributable to shareholders	-	-	-	-	-	-	-	300	300
As at 30 June 2009 (unaudited)	16,307	3,266	9,223	1,183	(2,399)	2,400	(7,550)	1,189	23,619
As at 1 January 2008 (audited)	16,219	3,208	9,223	1,183	(1,610)	1,474	129	1,061	30,887
Net realised gains on investments in the period	-	-	-	-	-	3,467	-	-	3,467
Movement in unrealised appreciation	-	-	-	-	-	-	(2,691)	-	(2,691)
Capitalised investment management fees	-	-	-	-	-	(367)	-	-	(367)
Tax relief on costs charged to capital	-	-	-	-	-	99	-	-	99
Purchase of own treasury shares	-	-	-	-	(215)	-	-	-	(215)
Revenue return attributable to shareholders	-	-	-	-	-	-	-	782	782
Dividends paid	-	-	-	-	-	(383)	-	(382)	(765)
As at 30 June 2008 (unaudited)	16,219	3,208	9,223	1,183	(1,825)	4,290	(2,562)	1,461	31,197

Summary Reconciliation of Movement in Shareholders' Funds continued

	Called-up share capital £'000	Share premium £'000	Special reserve* £'000	Capital redemption reserve £'000	Own treasury shares reserve* £'000	Realised capital reserve* £'000	Unrealised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2008 (audited)	16,219	3,208	9,223	1,183	(1,610)	1,474	129	1,061	30,887
Net realised gains on investments in the period	–	–	–	–	–	3,425	–	–	3,425
Movement in unrealised appreciation	–	–	–	–	–	–	(5,751)	–	(5,751)
Capitalised investment management fees	–	–	–	–	–	(547)	–	–	(547)
Tax relief on costs charged to capital	–	–	–	–	–	70	–	–	70
Recoverable VAT capitalised	–	–	–	–	–	310	–	–	310
Purchase of own treasury shares	–	–	–	–	(662)	–	–	–	(662)
Issue of equity (net of costs)	88	58	–	–	–	–	–	–	146
Revenue return attributable to shareholders	–	–	–	–	–	–	–	1,187	1,187
Dividends paid	–	–	–	–	–	(2,273)	–	(1,359)	(3,632)
As at 31 December 2008 (audited)	<u>16,307</u>	<u>3,266</u>	<u>9,223</u>	<u>1,183</u>	<u>(2,272)</u>	<u>2,459</u>	<u>(5,622)</u>	<u>889</u>	<u>25,433</u>

* Included within these reserves is an amount of £2,863,000 (30 June 2008: £10,587,000; 31 December 2008: £4,677,000) 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 June 2009 £'000	Unaudited six months ended 30 June 2008 £'000	Audited year ended 31 December 2008 £'000
Operating activities				
Investment income received		485	1,045	1,487
Deposit interest received		46	175	296
Other income received		–	6	265
Investment management fees paid		(254)	(458)	(1,015)
VAT recovery		488	–	–
Administrative fees paid		(109)	(137)	(252)
Net cash inflow from operating activities	11	656	631	781
Taxation				
UK corporation tax (paid)/received		(384)	42	(271)
Capital expenditure and financial investments				
Purchase of qualifying fixed asset investments		(415)	(696)	(3,261)
Purchase of non-qualifying fixed asset investments		–	–	(33)
Purchase of current asset investment		–	–	(50)
Disposal of current asset investment		3,050	–	–
Disposal of qualifying fixed asset investments		237	6,237	6,769
Net cash inflow from investing activities		2,872	5,541	3,425
Equity dividends paid				
Dividends paid	5	–	(765)	(3,632)
Net cash inflow before financing		3,144	5,449	303
Financing				
Purchase of own shares		(110)	(148)	(662)
Issue of equity		–	–	161
Costs of issue of equity		(11)	–	(3)
Net cash outflow from financing		(121)	(148)	(504)
Cash inflow/(outflow) in the period	12	3,023	5,301	(201)

Notes to the Summarised Financial Statements for the six months to 30 June 2009

1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by the Association of Investment Companies ("AIC") in January 2009. Accounting policies have been applied consistently in current and prior periods.

2. Accounting policies

Investments

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. 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.

Loan stocks which are not impaired or past due are considered fully performing in terms of contractual interest and capital repayments and the Board does not consider that there is a current likelihood of a shortfall on security cover for these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the effective interest rate.

Floating rate notes

In accordance with FRS 26, floating rate notes are designated as fair value through profit or loss. Floating rate notes are valued at market bid price at the balance sheet date. Floating rate notes are classified as current asset investments as they are investments held for the short term and comparative classification in the Balance Sheet for 30 June 2008 has been restated accordingly.

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

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

Notes to the Summarised Financial Statements for the six months to 30 June 2009 (continued)

received within a reasonable period of time is reflected in the capital value of the investment.

Bank interest income

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

Floating rate note income

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

Investment management fees and other expenses

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

- 75 per cent. of management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the Realised capital reserve.

Performance incentive fee

In the event that a performance incentive fee crystallises, the fee will be allocated between Revenue and Realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Taxation

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

The specific nature of taxation of venture capital trusts means that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

Reserves

Share premium account

This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to the Special reserve.

Special reserve

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

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Own treasury shares reserve

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

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.

Unrealised capital reserve

Increases and decreases in the valuation of investments held at the year end against cost, are included in this reserve.

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 June 2009 (continued)

3. (Losses)/gains on investments

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 £'000	Audited year ended 31 December 2008 £'000
Unrealised losses on fixed asset investments held at fair value through profit or loss account	(592)	(2,804)	(5,334)
Unrealised (losses)/gains on fixed asset investments held at amortised cost	(1,369)	113	(379)
Unrealised losses on fixed asset investments	(1,961)	(2,691)	(5,713)
Unrealised gains/(losses) on current asset investments held at fair value through profit or loss account	33	–	(38)
Unrealised losses sub-total	(1,928)	(2,691)	(5,751)
Realised gains on investments held at fair value through profit or loss account	39	3,467	3,425
Total	(1,889)	776	(2,326)

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

4. Investment income

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 £'000	Audited year ended 31 December 2008 £'000
Income recognised on investments held at fair value through profit or loss account			
UK dividend income	47	–	62
Management fees received from equity investments	–	13	10
Floating rate note interest	20	92	186
Bank deposit interest	32	125	291
Other income	1	2	4
	100	232	553
Income recognised on investments held at amortised cost			
Return on loan stock investments	431	1,116	1,425
	531	1,348	1,978

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 June 2009 (continued)

5. Dividends

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 £'000	Audited year ended 31 December 2008 £'000
Dividend of 2.5p (1.25p capital and 1.25p revenue) per share paid on 16 May 2008	-	765	765
Dividend of 5.5p (4.75p capital and 0.75p revenue) per share paid on 3 October 2008	-	-	1,669
Dividend of 4.0p (1.5p capital and 2.5p revenue) per share paid on 30 December 2008	-	-	1,198
	<u>-</u>	<u>765</u>	<u>3,632</u>

A dividend of 4 pence per share was paid in advance of the first dividend for the year ending 31 December 2009, on 30 December 2008.

The Directors have declared a dividend of 4 pence per share payable on 25 September 2009 to shareholders on the register as at 28 August 2009. The approximate cost of the dividend is £1,200,000.

6. Recovery of VAT

Following the HMRC business briefing permitting the recovery of historic VAT that had been charged on management fees, the Company has recognised £93,000 for the six months to 30 June 2009 in addition to the £414,000 that was recognised in the Income Statement for the year to 31 December 2008. This is an estimate net of any associated management and performance fee costs.

7. Basic and diluted return per share

The return per share has been calculated on 29,943,949 Ordinary shares excluding treasury shares (30 June 2008: 30,584,478; 31 December 2008: 30,366,813) being the weighted number of shares in issue for the period.

There are no convertible instruments, derivatives or contingent share agreements in issue for Albion Development VCT 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.

8. Investments

Fixed asset investments held at fair value through profit or loss total £4,502,000 (30 June 2008: £6,587,000; 31 December 2008: £4,792,000). Fixed asset investments held at amortised cost total £12,219,000 (30 June 2008: £12,884,000; 31 December 2008: £13,498,000).

Notes to the Summarised Financial Statements for the six months to 30 June 2009 (continued)

9. Share Capital

	Unaudited 30 June 2009 £'000	Unaudited 30 June 2008 £'000	Audited 31 December 2008 £'000
Authorised			
50,000,000 Ordinary shares of 50p each (30 June 2008 and 31 December 2008: 50,000,000)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Allotted, called-up and fully paid			
32,613,482 Ordinary shares of 50p each (30 June 2008: 32,438,309; 31 December 2008: 32,613,482)	<u>16,307</u>	<u>16,219</u>	<u>16,307</u>
Allotted, called up and fully paid excluding treasury shares			
29,811,374 Ordinary shares of 50p each (30 June 2008: 30,352,476; 31 December 2008: 29,993,767)	<u>14,906</u>	<u>15,176</u>	<u>14,997</u>

10. Treasury shares

During the period to 30 June 2009 the Company purchased 182,393 Ordinary shares to be held in treasury at a cost of £127,000 (including costs), representing 0.61 per cent. of the shares in issue (excluding treasury shares) as at 1 January 2009. The shares purchased for treasury were funded from the Own treasury shares reserve. The total number of Ordinary shares held in treasury as at 30 June 2009 was 2,802,108 (30 June 2008: 2,085,833; 31 December 2008: 2,619,715) representing 8.79 per cent. of the shares in issue (excluding treasury shares) as at 1 January 2009.

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

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 £'000	Audited year ended 31 December 2008 £'000
Revenue return on ordinary activities before tax	386	1,104	1,674
Investment management fee charged to capital	(207)	(308)	(547)
Performance incentive fee charged to capital	-	(59)	-
VAT recovered	70	-	310
Movement in accrued amortised loan stock interest	24	(105)	64
Decrease/(increase) in operating debtors	363	(17)	(481)
Increase/(decrease) in operating creditors	<u>20</u>	<u>16</u>	<u>(239)</u>
Net cash inflow from operating activities	<u>656</u>	<u>631</u>	<u>781</u>

Notes to the Summarised Financial Statements for the six months to 30 June 2009 (continued)

12. Analysis of change in cash during the period

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 £'000	Audited year ended 31 December 2008 £'000
Beginning of the period	3,790	3,991	3,991
Net cash inflow/(outflow)	3,023	5,301	(201)
End of the period	6,813	9,292	3,790

13. Contingencies, guarantees and financial commitments

The Company has no contingencies, guarantees or financial commitments.

14. Post balance sheet events

Since 30 June 2009, the Company has had the following post balance sheet events:

- Investment of £480,000 in Geronimo Inns VCT I Limited
- Investment of £480,000 in Geronimo Inns VCT II Limited
- Investment of £120,000 in Bravo Inns II Limited
- Investment of £10,909 in Rostima Limited
- Repayment of £45,610 of loan stock by GB Pub Company Limited

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 £276,000 (30 June 2008: £491,000; 31 December 2008: £731,000), were purchased by the Company from Albion Ventures LLP. At the financial period end, the amount due to Albion Ventures LLP in respect of these services was £72,000 (30 June 2008: £292,000; 31 December 2008: £49,000).

Albion Ventures LLP has reclaimed VAT from HMRC as described in note 6. An estimated sum of £93,000 has been recognised in the Income Statement for the period which allows for an estimate in respect of the deduction of historic management and performance fees to be paid to Albion Ventures LLP. This amount is treated as a debtor as at 30 June 2009.

16. Other information

The information set out in this Half-yearly Financial Report does not constitute the Company's statutory accounts within the terms of section 434 of the Companies Act 2006 for the periods ended 30 June 2009 and 30 June 2008, and is unaudited. The information for the year ended 31 December 2008 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.

17. Publication

This Half-yearly Financial Report is being sent to shareholders and copies will be made available to the public at the registered office of the Company, Companies House, the FSA viewing facility and also electronically at www.albion-ventures.co.uk under the 'Our Funds' section.

