

Annual Report
for the ten months to 31 December 2007

About **Q**uester VCT plc

The objective of **Q**uester VCT plc is to provide shareholders with an attractive income and capital return enhanced by tax benefits, by investing in a diverse portfolio consisting largely of unquoted investments. From time to time the portfolio will also include quoted equities and fixed interest securities.

The venture capital portfolio focuses mainly on technology-related companies in the TMT (technology, media and telecoms) and healthcare sectors.

Dividends paid by **Q**uester VCT plc, as an approved Venture Capital Trust, are tax free to eligible shareholders, which substantially enhances the effective returns to shareholders.

Investment in Venture Capital Trusts should be viewed as a high risk, long-term investment. Eligible shareholders are reminded that a sale of their shareholding in **Q**uester VCT plc may give rise to a loss of any capital gains tax deferral granted at the time of their original subscription.

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Financial highlights as at 31 December 2007

Per ordinary share (pence)	31.12.07	28.02.07	28.02.06
Net asset value	33.2	41.6	44.5
Dividends			
Dividend paid ⁽¹⁾	4.2	3.9	1.3
Cumulative dividend ⁽²⁾	50.9	46.7	42.8
Total return ⁽³⁾			
Quester VCT plc	84.1	88.3	87.3
Return including tax benefits ⁽⁵⁾	104.1	108.3	107.3
Total return to former shareholders of:			
Quester VCT 2 plc ⁽⁴⁾	69.4	73.5	72.4
Return including tax benefits ⁽⁵⁾	89.4	93.5	92.4
Quester VCT 3 plc ⁽⁴⁾	44.3	48.6	47.6
Return including tax benefits ⁽⁵⁾	64.3	68.6	67.6

(1) Dividend paid in the financial period ended on the date stated

(2) Cumulative dividends paid by Quester VCT plc

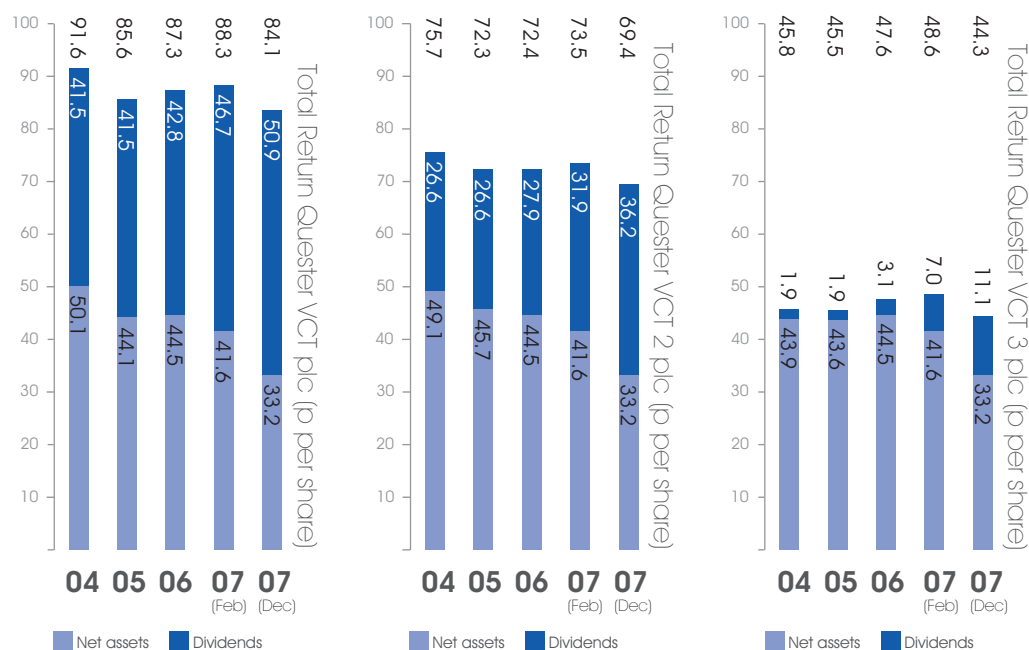
(3) Net asset value plus cumulative dividend per share to ordinary shareholders since the launch of the Company, Quester VCT plc

(4) Total return to original shareholders in Quester VCT 2 plc and Quester VCT 3 plc, which were merged with Quester VCT plc in June 2005

(5) Return after 20% income tax relief but excluding capital gains deferral.

Dividend

The recommended dividend of 2.8p per share would bring the total cumulative dividends to Quester VCT plc shareholders to 53.7p per share. This dividend would trigger a performance incentive fee of £1,040,000.



Composition of the fund by value

Unquoted venture capital investments	59.3%
Quoted venture capital investments	8.7%
Listed fixed interest investments	12.9%
Listed equity investments	15.4%
Cash and other net current assets	3.7%
Total	100.0%

Chairman's statement

Change of name

Following the acquisition of the Quester management company by NewMedia SPARK plc (since renamed SPARK Ventures plc) in May 2007, the two teams have been successfully integrated. Several investments have seen a transition to new managers within SPARK, while long standing and valuable relationships with former Quester managers have been retained, particularly where they have been able to contribute to an exit process. The name of the Manager of Quester VCT plc has been changed to SPARK Venture Management Limited ("SPARK").

As advised in the half yearly financial report, the accounting date has been changed to 31 December, to simplify the administration of the three Quester VCTs under SPARK's management, which now all report on the same date. This report therefore covers the 10 month period from 28 February to 31 December 2007. Shareholders' approval is being sought at the Annual General Meeting to a change in the name of your Company to SPARK VCT plc.

Results for the 10 months ended 31 December 2007

The movement in net assets and net assets per share is summarised in the table below:

	Unquoted venture capital investments £'000	Quoted venture capital investments £'000	Bonds, equities and net current assets £'000	Total £'000	Pence per share
Net asset value at 28 February 2007	20,744	6,331	21,253	48,328	41.6
Income and net gains on disposal	–	164	641	805	0.7
Operating expenses	–	–	(1,208)	(1,208)	(1.1)
Write-off of investments net of recoveries	(3,778)	(1,139)	–	(4,917)	(4.3)
Net gain/(loss) on revaluation of investments	2,362	(1,376)	(552)	434	0.4
Net assets before dividends and share buy-backs	19,328	3,980	20,134	43,442	37.3
Dividend paid net of amounts reinvested	–	–	(4,798)	(4,798)	(4.2)
Share buy-backs	–	–	(968)	(968)	0.1
Net investment	3,030	(704)	(2,326)	–	–
Net asset value at 31 December 2007	22,358	3,276	12,042	37,676	33.2

Net assets per share, before the payment of dividends and share buy-backs, fell by 4.3p in the 10 months ended 31 December 2007. Dividends paid in the 10 month period amounted to 4.2p per share.

The net asset value at 31 December 2007 is stated before accounting for the recommended final dividend of 2.8p per share, amounting to £3.2 million (see below).

This year's performance

The combined SPARK team has carried out an in depth review of the unquoted portfolio, involving a number of meetings with each company to reassess their strategies, opportunities and potential for value. The team has classified the investee companies into those that are key to producing a good return for the whole portfolio; companies with potential for growth; and companies where the plan is simply for cash recovery of the existing valuation. This has resulted in a number of adjustments, though by no means for every company in the portfolio. The overall effect for the period is a write-off of £3,778,000, offset by a net gain on revaluation of £2,362,000 (including the profit of £3,658,000 on the sale of Nomad, valued at its trade sale price at 31 December 2007).

Over the same period the quoted venture capital portfolio lost £2,393,000, of which £1,139,000 represents write-offs.

Bonds and equity investments performed well until the autumn, but were affected by the subsequent severe drop in equity values across the UK market which resulted in a net loss over the period of £505,000.

As indicated in the half yearly financial report, the pace of new investment slowed during the SPARK team's review of the existing portfolio. The fund has, however, benefited from new deal flow of £1.4 million, principally the closing of a £1.0 million investment in a revenue generating software company Skinkers Limited, plus a further £2.4 million committed as follow-on investment in existing portfolio companies.

Performance since merger

The chart opposite shows the movement in total return (net asset value plus cumulative dividend per share) over the period from the merger of the Company with Quester VCT 2 plc and Quester VCT 3 plc in June 2005 until 31 December 2007. The final column shows, on a pro forma basis, the effect of payment of the recommended final dividend of 2.8p per share and payment of the related performance incentive fee (see below).

Over the period from the date of the merger, the total return has dropped by 1.7p per share or 3.9%. The net asset value per share has been reduced on a pro forma basis by 13.9p per share since the date of the merger and dividends amount to 12.2p per share.

Review of strategy and investment objectives

Following the integration of the SPARK and Quester teams (including the adoption and refinement of Quester's healthcare team and strategy), and the review of the portfolio discussed above, the Board reassessed your Company's strategy and investment objectives.

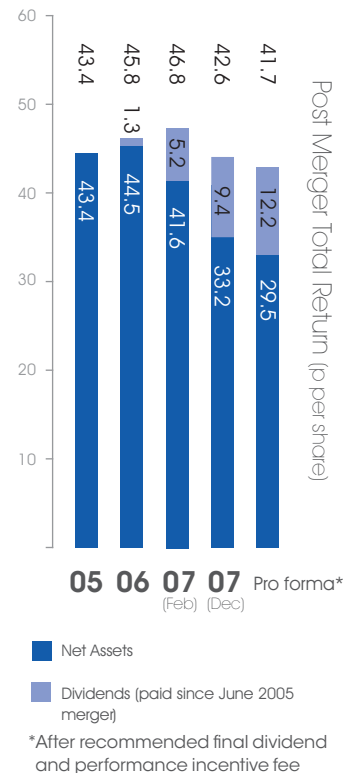
Your portfolio has been invested in early stage companies, with a significant bias towards technology. Your Board is satisfied that SPARK has longstanding skills, and a better record over recent years than Quester, in this area. The technology sub-sector of VCTs accounts for circa 9% of total VCT funds under management. The three VCTs managed by SPARK, including your Company, form the second largest group in this sub-sector.

Your Board believes that it should be possible to achieve low to mid-teen annualised returns from early stage investing, based on evidence going back beyond the technology boom era of 1999 to 2001, though the technology sector is likely to be more volatile than the average. A common feature of this type of investing is the high investment of money and time in early years which negatively impact the returns in the early life of these companies. Your Company, however, still has a good proportion of companies which are beyond this point. Successful technology early stage portfolios also typically require a few stellar successes to achieve satisfactory returns for the portfolio as a whole. SPARK has achieved a few since its inception some 9 years ago.

The Board decided that the broad objectives will remain as before, subject to important changes in emphasis mentioned below.

The investment policy is set out in full on page 15. The principal changes in SPARK's investment approach from those of Quester are:

- A greater focus on revenue producing companies, which may also require less capital
- A shorter target holding period than Quester (under 5 years)
- SPARK's traditional expertise in media technology
- In healthcare, a focus away from capital intensive pharma opportunities
- SPARK's experience in achieving returns from struggling companies
- An overriding concentration on market opportunities that are appropriate for early stage companies, rather than backing novel technologies
- A general disinclination to invest in AIM companies, unless they match the core risk/return and pricing criteria in SPARK's area of expertise.



Chairman's statement (cont.)

Board

Andrew Holmes, formerly managing director and chairman of the Quester management company, will retire from the Board at the AGM. I would like to record the Board's warmest appreciation of the contribution he has made to the affairs of the Company since its establishment in 1996.

Andrew Carruthers, CEO of SPARK, joined the Board in June 2007. In accordance with the Articles of Association, he will stand for election at the AGM.

Dividends, performance incentive and outlook

At the time of the merger of the Company with Quester VCT 2 plc and Quester VCT 3 plc in 2005, the Board set an objective to achieve exits from long-standing venture capital investments and the resumption of regular dividend payments. There had been no material dividend payments during the three year period 2002 to 2004. A two-tier performance incentive fee was put in place at the time of the merger to encourage the Manager to achieve significant realisations. These have since totalled £23.6 million, including £7.3 million from the sale of Nomad. After the payment of dividends (including the recommended dividend) there remains, on a pro forma basis, £7.8 million in liquid resources available to the Company.

Accordingly, in line with the indication given in the half yearly financial report, the Board recommends a final dividend of 2.8p per share, amounting to £3.2 million, for approval at the AGM. This dividend would be payable on 15 October 2008 at which date VAT will not be payable on the related performance incentive fee.

The recommended final dividend of 2.8p per share would bring the total of dividend payments since the date of the merger to 12.2p per share or £14.3 million. This means that the terms of the performance incentive put in place at the time of the merger would be satisfied at the lower threshold, with an average annual dividend payout of 6.4% per annum (based on the merger NAV of 43.4p per share) having been achieved over the four years, against a target of 5.0% per annum. Accordingly, if shareholders approve the recommended final dividend, the performance incentive fee will become payable at the lower level at a cost to the Company of £1,040,000.

The Board has taken the view, with SPARK, that at that point the existing performance incentive scheme will have fulfilled its purpose and accordingly it intends to bring that scheme to an end eight months before it would otherwise expire and establish a new performance incentive scheme. This will reward (accrued on an annual basis) the achievement of higher levels of cumulative total returns starting from 31 December 2007 based on net asset values plus cumulative dividends paid. Full details will be set out in a separate circular and shareholders' approval will be sought at an Extraordinary General Meeting to be held immediately following the AGM on 18 June 2008.

The process of reinvestment in new opportunities by the Manager is expected to continue during 2008. In addition, a run-rate of around £2.1 million per annum has been reserved for follow-on investments. The Manager has informed the Board that it sees good deal flow in both technology and medical sciences in line with the investment policy described above. With the bulk of realisations from the existing portfolio arising in two years, the Board anticipates a further significant reduction in liquid resources in 2008 and 2009.

Looking ahead, the Board believes that SPARK's modified investment policy provides better prospects for growth in net asset values and total returns. However it also recognises the potential volatility in returns from an early stage technology portfolio.

In the half yearly financial report I highlighted that, while the policy of a high dividend payout would be maintained in respect of the period to 31 December 2007, future dividends would depend much more on the rate of reinvestment of the Company's liquid resources and the overall performance of the portfolio. Accordingly shareholders should expect dividends in future to be lower and based to a greater degree than before on net income and gains on disposal of investments.

Jock Birney
Chairman
30 April 2008

Fund summary as at 31 December 2007

	Industry sector	Cost ⁽¹⁾ £'000	Valuation £'000	Equity % held	% of fund by value
Fifteen largest venture capital investments					
Nomad Payments Limited	TMT	2,675	7,263	18.7%	19.3%
Sift Group Limited	TMT	2,395	2,249	19.8%	6.0%
Imagesound plc <i>AIM</i>	TMT	2,848	1,859	11.8%	4.9%
Vivacta Limited	Healthcare	1,067	1,336	8.5%	3.5%
Cluster Seven Limited	TMT	1,196	1,196	11.1%	3.2%
Elateral Holdings Limited ⁽²⁾	TMT	1,009	1,009	24.3%	2.7%
Skinkers Limited	TMT	1,000	1,000	5.6%	2.7%
Uniservity Limited	TMT	1,000	1,000	16.5%	2.7%
Teraview Limited	Healthcare	1,172	827	5.4%	2.2%
Perpetuum Limited	TMT	686	780	7.0%	2.1%
Antenova Limited	TMT	1,134	764	4.7%	2.0%
Level Four Software Limited	TMT	725	725	5.1%	1.9%
Workshare Limited	TMT	695	695	1.9%	1.8%
International Diagnostics Group plc ⁽²⁾	Healthcare	690	690	23.9%	1.8%
We7 Limited	TMT	674	674	10.0%	1.8%
		18,966	22,067		58.6%
Other venture capital investments					
Secerno Limited	TMT	446	446	4.2%	1.2%
MediGene AG <i>FRANKFURT</i>	Healthcare	601	356	0.3%	0.9%
Allergy Therapeutics plc <i>AIM</i>	Healthcare	772	327	1.1%	0.9%
Community Internet Europe Limited ⁽²⁾	TMT	317	317	20.0%	0.8%
Haemostatix Limited	Healthcare	247	247	5.9%	0.7%
Oxonica plc <i>AIM</i>	Healthcare	210	240	2.2%	0.6%
Lectus Therapeutics Limited	Healthcare	854	214	7.0%	0.6%
HTC Healthcare Group plc ⁽²⁾	Other	210	210	36.7%	0.6%
Phoqus Pharmaceuticals plc <i>AIM</i>	Healthcare	497	203	1.3%	0.5%
Landround plc <i>AIM</i>	TMT	178	133	6.3%	0.3%
Arithmatica Limited	TMT	494	124	12.5%	0.3%
Artisan Software Tools Limited ⁽²⁾	TMT	120	120	23.4%	0.3%
Casella Group Limited	Other	110	110	17.8%	0.3%
Symetrica Limited	TMT	108	108	2.4%	0.3%
Other investments: valuations less than £100,000 ⁽²⁾		968	412		1.1%
		6,132	3,567		9.4%
Total venture capital investments		25,098	25,634		68.0%
Total quoted venture capital investments		5,263	3,276		8.7%
Total unquoted venture capital investments		19,835	22,358		59.3%
		25,098	25,634		68.0%
Listed fixed interest investments		4,841	4,860		12.9%
Listed equity investments		5,411	5,800		15.4%
Total investments		35,350	36,294		96.3%
Cash and other net assets		1,382	1,382		3.7%
Net assets		36,732	37,676		100.0%

(1) Amounts shown as cost represent the valuation attributed to the investment at the date of the merger in 2005 or subsequent acquisition cost as reduced in certain cases ⁽²⁾ by amounts written off as representing an impairment in value

(2) Cost reduced by amounts written off as representing an impairment in value

Details of movements in valuation of the venture capital investments over the 10 month period to 31 December 2007 are set out in note 9(c) in the notes to the financial statements.

Business review

The business review has been prepared in accordance with Section 234ZZB of the Companies Act 1985 and forms part of the Directors' report to shareholders. The investment policy is set out on page 15.

Management changes

Following the acquisition of Quester Capital Management Limited by NewMedia SPARK plc (since renamed SPARK Ventures plc) on 11 May 2007, the investment team now responsible for the management of Quester VCT plc is led by Andrew Carruthers, CEO of SPARK, along with Jay Patel, Executive Director, and Tom Teichman, Chairman of SPARK, and ongoing members of the Quester team.

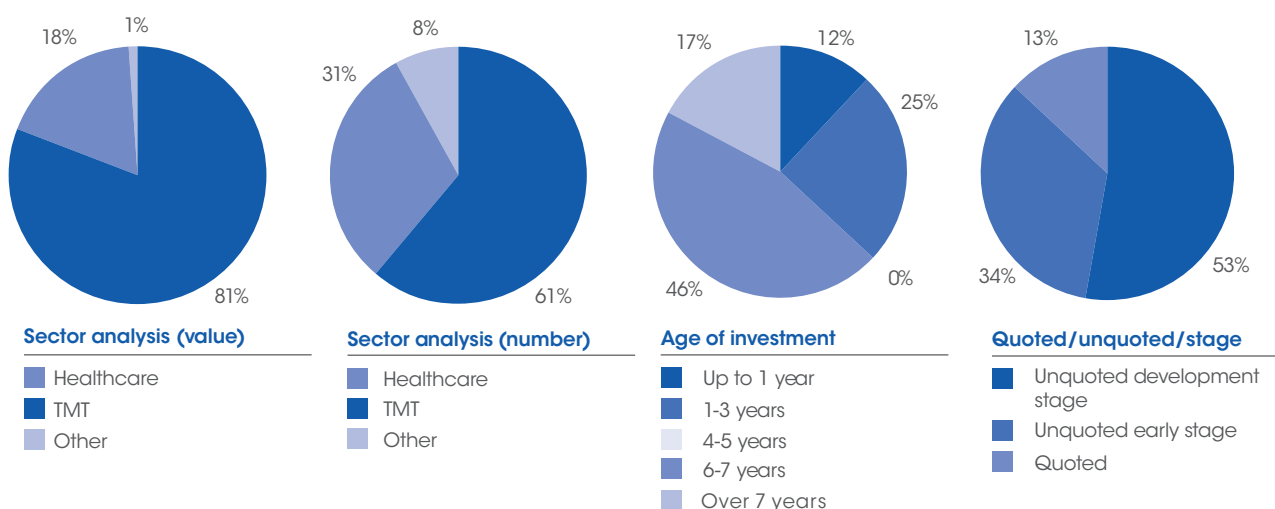
Portfolio update and overview

The combined SPARK team has conducted a detailed review of the portfolio, including reassessment of the business strategy, progress to date, opportunities and potential for value of each of the investee companies. The companies have been classified into those that are key to producing a good return for the whole portfolio; companies with potential for growth; and companies where the plan is simply for cash recovery of the existing valuation.

In parallel with this review, the SPARK team has reviewed the fair values of the investments. This review, coupled with events affecting the investee companies and stock market and financing conditions generally, has resulted in the write-off of a number of investments and a net positive revaluation in respect of others (including Nomad Payments Limited at its subsequent trade sale price). Further details are given under 'Valuations' below.

The Fund summary on page 5 lists the venture capital investments held by the Company at 31 December 2007 with their cost and valuation at that date. The 15 largest venture capital investments (including Nomad Payments Limited which has since been sold) collectively account for 58.6% of the net assets at the balance sheet date. Further details of these investments are given on pages 11 to 14.

The charts below show the composition of the venture capital investment portfolio at 31 December 2007 according to industry sector, time elapsed since the date of first investment in each case and whether the investment is quoted or unquoted and, in the latter case, whether the company concerned is at early stage or development stage:



Realisation of investments

We are pleased to report the achievement of a successful exit from Nomad Payments Limited: the trade sale to Metavante Technologies, Inc. (NYSE: MV), a leading provider of banking and payments technologies for financial services firms and businesses worldwide, closed on 10 January 2008 realising £7,263,000 (of which £5,888,000 has been received in cash and £1,375,000 is held in escrow for a period of 18 months or more), for a multiple of 2.0 times original cost.

From the date of the merger in 2005 to 31 December 2007, the realisation of venture capital investments produced £16.3 million in realisation proceeds: the Nomad transaction has increased this to £23.6 million.

M&A activity

The merger of Celldex Therapeutics, Inc. with the NASDAQ-listed AVANT Immunotherapeutics, Inc. was announced in October 2007 and closed in March 2008. While the terms on which the merger has taken place represent a significant reduction in valuation from that previously reported for the holding in Celldex, the transaction leaves Quester VCT with a holding in a publicly-traded company with a substantial pipeline of product candidates and technology platforms, on the basis of which the SPARK team is optimistic as to the prospects for recovery of value.

New investments

During the 10 month period to 31 December 2007 the pace of new investment slowed during the SPARK team's review of the existing portfolio. More recently, the fund has benefited from new deal flow sourced from SPARK and towards the end of the year £1.0 million was committed to an investment in revenue generating software company Skinkers Limited.

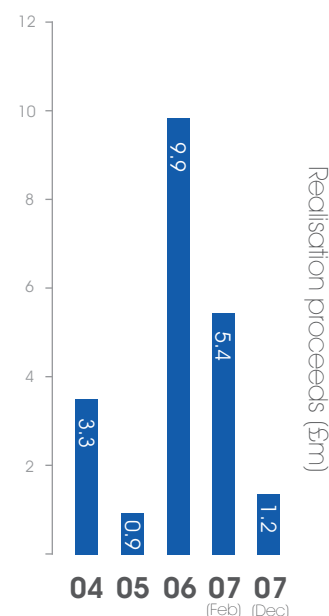
Skinkers Limited is involved in information broadcast technology. Its enterprise software product enables organisations to deliver priority notifications and distribute content through a controlled, highly versatile and secure universal communication platform, with such clients as BBC, Cisco, Bloomberg, FT and CNN. In addition its 'Livestation' product is a revolutionary live streaming internet broadcasting solution built on technology co-developed with Microsoft research and designed specifically to deliver uninterrupted live TV to large audiences at dramatically reduced costs.

The table below summarises the new investments completed during the 10 month period to 31 December 2007:

Company	Sector	£'000
AIM traded companies:		
Oxonica plc	Healthcare	210
		210
Unquoted companies:		
Academia Networks Limited	TMT	51
Skinkers Limited	TMT	1,000
Symetrica Limited	TMT	108
		1,159
		1,369

Oxonica Limited is an AIM-traded company focused on developing commercial solutions for international markets in the design of nanomaterials. Academia Networks Limited is an early stage social networking website catering for the academic and scientific research community. Symetrica Limited is an early stage company set to commercialise proprietary, high performance gamma ray spectroscopy, imaging hardware and software for use in the nuclear, medical and process control industries.

Since the year end, the Company has closed one further investment, with £1.0 million being committed to Isango! Limited, an early stage company operating an online travel website offering users an authoritative source of travel experiences such as holiday tours, sightseeing, attractions and activities in more than 50 countries across the world.



Business review (cont.)

Follow-on investments

The table below sets out the follow-on investments completed during the 10-month period to 31 December 2007:

Company	Sector	£'000
Participation in share placings by AIM traded companies:		
Genosis plc	Healthcare	215
Phoqus Pharmaceuticals plc	Healthcare	141
Vernalis plc *	Healthcare	9
		365
Follow-on rounds in unquoted companies:		
Haemostatix Limited	Healthcare	131
Pelikon Limited	TMT	219
Perpetuum Limited	TMT	252
Secerno Limited	TMT	181
Teraview Limited	Healthcare	117
Vivacta Limited	Healthcare	152
We7 Limited	TMT	426
		1,478
Restructuring or bridge finance ahead of planned realisation:		
Arithmatica Limited	TMT	78
Artisan Software Tools Limited	TMT	23
HTC Healthcare Group plc	Other	451
		552
		2,395

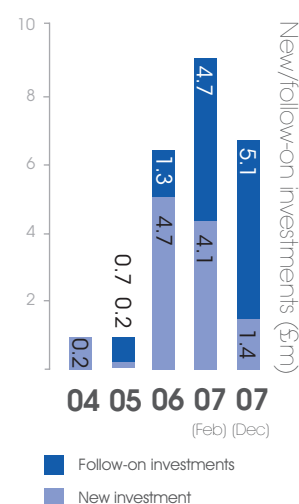
* Listed company – market purchase

A number of the follow-on investments in the early part of the period produced disappointing results. Since the take-over of management responsibility, and with the benefit of the SPARK team's review of the portfolio, a stringent approach has been adopted, designed to ensure that the Company's follow-on investment resources are most effectively applied.

Particular setbacks relate to the AIM-traded Genosis plc, which has reported disappointing UK and US sales of its over-the-counter fertility test, Pelikon Limited and HTC Healthcare Group plc, where the business plan objectives of the respective follow-on rounds were not achieved. In the case of HTC Healthcare Group plc, additional bridge finance has been advanced in recent months based on a plan for the stabilisation of the business and designed to permit an early exit.

In other cases, the unquoted follow-on rounds relate to opportunities which, while still at early stage and with the associated risks, are considered to offer more positive prospects as venture capital investments for the longer term. We are pleased with the business progress achieved by the early stage healthcare company Haemostatix Limited and diagnostics business Vivacta Limited, with the latter company successfully closing a new financing round during the year at an uplift in the Company's original cost of investment. A substantial additional investment was made alongside syndicate partners in a £3.0 million round in We7 Limited, an advertising funded music download service backed by a highly experienced management team.

We are pleased with our first investment in the 'green tech' sector, energy harvesting company Perpetuum Limited, which has achieved good early progress and has successfully closed a new funding round during the period at an uplift on the Company's original cost of investment.



Looking ahead – new investment opportunities

The investment policy of the Company is set out in full on page 15 and is unchanged in substance from that set out in the listing particulars dated 20 May 2005 issued in connection with the merger. However, in the description of the portfolio focus, to reflect the particular experience and reputation of the SPARK investment team, the term TMT (technology, media and telecoms) is used instead of ICT (information and communication technologies) and it is made clear that, looking ahead, initial investment in unquoted companies may be made in companies at early stage or development stage (rather than, as previously stated, generally in companies at early stage).

In selecting new investments to add to the portfolio, within the context of that policy, the SPARK investment team intends to give greater emphasis to:

- the identification of later-stage venture capital opportunities (i.e. in companies that are revenue-generating at date of first investment) and
- investments for which the holding period (the period from date of first investment to ultimate realisation for cash) may be expected to be less than the 5+ years typically the case hitherto.

Having regard to the particular experience and reputation of the SPARK investment team, the programme of new investment may be expected to include, within the TMT sector, a greater emphasis on opportunities in the digital media and software applications sectors and a reduced exposure to ‘hardware’ investments which tend to involve longer holding periods and are typically highly demanding in terms of capital requirements. In healthcare, for similar reasons, a reduced exposure to drug discovery and a greater emphasis on areas such as medical devices and diagnostics may be expected.

In the selection of new venture capital investments, the emphasis is expected to be on unquoted companies; where investment in an AIM-traded company is being considered, the investment decision will be made by reference to the underlying risk and return criteria in SPARK’s area of expertise rather than against a plan for the building of a quoted venture capital portfolio.

Valuation changes

Events during the period, and the results of the SPARK team’s review, have necessitated significant changes in the valuations of the venture capital investments. In some cases the changes reflect the terms of recent transactions, or market prices in respect of the quoted investments, while in others the changes reflect the management team’s own review of the companies’ current stage of development and their prospects.

Unquoted venture capital investments

During the 10 months to 31 December 2007, in respect of unquoted investments, the review has resulted in write-offs totalling £3,778,000 in respect of investments that have failed or are considered to have suffered an impairment in value, offset by a net positive revaluation of £2,362,000 in respect of investments considered to have future potential.

The following valuation changes have been made in respect of investments considered to have future potential:

- Nomad Payments Limited increased to reflect the terms of the trade sale which was in the final stages of negotiation at 31 December 2007 (increase of £3,658,000).
- Perpetuum Limited and Vivacta Limited increased to reflect the terms of the most recent financing rounds (increases of £94,000 and £269,000 respectively).
- Celldex Therapeutics, Inc. reduced to reflect the terms of the agreed merger with AVANT Immunotherapeutics, Inc. (reduction £155,000).

Business review (cont.)

- Antenova Limited, Arithmatica Limited, Lectus Therapeutics Limited and Teraview Limited reduced to reflect the management team's assessment of the companies' value at this stage in their development (total reduction £1,504,000).

The write-offs are as follows:

- Efforts to find a trade buyer for Advanced Valve Technologies Limited within the timeframe dictated by the company's dwindling financial resources proved unsuccessful and the company has been placed into administration (write-off £450,000).
- Keronite Limited and Pelikon Limited were unsuccessful in implementing the business plans which formed the basis of the Company's investment and the terms of further funding rounds in each case eliminated any value in the original holdings (write-off £1,874,000).
- In respect of Artisan Software Tools Limited, Community Internet Europe Limited and HTC Healthcare Group plc, the valuations have been reduced as an impairment in value to reflect the management team's assessment of the companies' value at this stage in their development or estimated to be recoverable in a trade sale (write-off in the period £1,613,000).

Quoted venture capital investments

The period ended 31 December 2007 has seen poor performance of the companies in Quester VCT's quoted venture capital portfolio. Market movements, and a number of individual setbacks, have resulted in an overall reduction in valuation of quoted venture capital investments of £2,393,000, of which £1,139,000 has been written off as representing an impairment in value. The most severe losses in value have been in the cases of healthcare companies Allergy Therapeutics plc (£681,000), Genosis plc (£341,000), Phoqus Pharmaceuticals plc (£231,000) and Vernalis plc (£798,000) and the TMT company Imagesound plc (£411,000).

The share prices of Allergy Therapeutics plc and Vernalis plc, which were reported on in the half year results, suffered following adverse decisions by the US Food and Drug Administration (FDA), while the share price of Genosis plc saw a sharp decline following the disappointing UK and US sales of its over-the-counter fertility test as referred to earlier.

Listed equity and bond portfolio

Approximately £4.5 million was withdrawn from the equity and bond portfolio during the period to fund new and follow-on investments and the operations of the Company.

Outlook

The SPARK team's review of the portfolio has confirmed encouraging prospects for a number of the most significant venture capital investments.

It is emphasised, however, that the majority of these companies are still at early stage and remain vulnerable, in the case of certain of the healthcare companies, to the risk of adverse results in scientific development or clinical programmes and, in the case of the TMT companies, to the normal risks of early stage commercial development when there may be a critical dependence on key customer contracts, as well as ongoing funding risk.

On the assumption of successful progress of the key investments, and subject to favourable business and market conditions, it should be expected that the bulk of the profitable realisations of investments from within the existing portfolio will be concentrated in the period 2010 to 2011, although it is always possible that earlier opportunities may arise for the crystallisation of strategic value.

SPARK Venture Management Limited

Manager

30 April 2008

Fifteen largest venture capital investments

Nomad Payments Limited



Cost	£2,675,000
Valuation	£7,263,000
Basis of valuation	Sold post 31 December 2007
Equity held	18.7%
Location	London, UK
Business	Secure card payment processing solutions for banking organisations
History	Quester led syndicate in 2000 to fund company's expansion
Co-investment	Quester VCT 4 plc and Quester Venture Partnership

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Sales	4.5	4.2
Loss before tax	(1.8)	(1.3)
Loss after tax	(1.6)	(1.3)
Net liabilities	(4.4)	(2.8)

Imagesound plc



Cost	£2,848,000
Valuation	£1,859,000
Basis of valuation	AIM bid price
Equity held	11.8%
Location	Chesterfield, UK
Business	Messaging and audio-visual content provider
History	Initial Investment by Quester VCTs 2 & 3 in 2000, expansion finance
Co-investment	Quester VCT 5

Audited financial information Year ended 31/12	2007 £'m	2006 £'m
Sales	8.8	8.2
Loss before tax	(1.1)	(0.8)
(Loss)/profit after tax	(0.8)	0.2
Net assets	8.0	8.7

Sift Group Limited



Cost	£2,395,000
Valuation	£2,249,000
Basis of valuation	Funding round
Equity held	19.8%
Location	Bristol, UK
Business	Web content management provider
History	Development capital, Quester co-led, 1999
Co-investment	Quester VCT 4

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Sales	5.9	4.4
Profit before tax	0.1	-
Profit after tax	0.1	-
Net assets	0.4	0.2

Vivacta Limited



Cost	£1,067,000
Valuation	£1,336,000
Basis of valuation	Funding round
Equity held	8.5%
Location	Sittingbourne, UK
Business	In vitro diagnostics technology delivered at point of care
History	Industrial spin-out, Quester sole investor in 2006, start-up
Co-investment	Quester VCT 4, Quester VCT 5 and Quester Venture Partnership

Audited financial information Year ended 31/7	2007 £'m	2006 £'m
Sales	-	-
Loss before tax	(2.4)	(0.9)
Loss after tax	(2.4)	(0.9)
Net assets	2.5	4.9

Fifteen largest venture capital investments (cont.)

Cluster Seven Limited

Cost	£1,196,000
Valuation	£1,196,000
Basis of valuation	Funding round (cost)
Equity held	11.1%
Location	London, UK
Business	Spreadsheet management software, risk/control/compliance
History	Quester investment in 2005 institutional round, early stage
Co-investment	Quester VCT 4, Quester VCT 5 and Quester Venture Partnership

Audited financial information Year ended 31/12	2006 £'m	2005 £'m
Sales	2.9	1.2
Loss before tax	(1.2)	(0.9)
Loss after tax	(1.2)	(0.9)
Net assets	0.7	1.8

Skinkers Limited

Cost	£1,000,000
Valuation	£1,000,000
Basis of valuation	Funding round (cost)
Equity held	5.6%
Location	London, UK
Business	Desktop based push communication services developer
History	SPARK early stage investment in 2006 joined by Quester in 2007
Co-investment	SPARK Ventures plc and Quester VCT 5

Audited financial information Year ended 31/3	2007 £'m	2006 £'m
Sales	1.6	1.2
Loss before tax	(2.6)	(0.7)
Loss after tax	(2.6)	(0.7)
Net assets	1.5	0.9

Elatel Holdings Limited

Cost	£1,009,000
Valuation	£1,009,000
Basis of valuation	Funding round
Equity held	24.3%
Location	Farnham, UK
Business	Web based marketing automation service developer
History	Quester joined expansion round in 1999, post 3i seed funding
Co-investment	Quester VCT 4

Audited financial information Year ended 31/3	2007 £'m	2006 £'m
Sales	2.4	1.9
Profit before tax	0.1	-
Profit after tax	0.1	0.1
Net liabilities	(0.9)	(1.0)

Uniservity Limited

Cost	£1,000,000
Valuation	£1,000,000
Basis of valuation	Funding round (cost)
Equity held	16.5%
Location	Reading, UK
Business	Learning platform solution provider for school community collaborator
History	Quester early stage investment in 2007, including stock from angel investors
Co-investment	Quester VCT 4 and Quester VCT 5

Audited financial information Year ended 31/7	2006 £'m	2005 £'m
Net assets	0.5	0.3

TeraView Limited

TeraView
Realising potential

Cost	£1,172,000	
Valuation	£827,000	
Basis of valuation	Funding round	
Equity held	5.4%	
Location	Cambridge, UK	
Business	Commercial development of ways to exploit terahertz radiation	
History	Quester initial investment in 2001, early stage	
Co-investment	Quester VCT 4	
Audited financial information	2007	2006
Year ended 30/4	£'m	£'m
Sales	1.3	0.8
Loss before tax	(3.5)	(4.3)
Loss after tax	(3.2)	(4.3)
Net liabilities	(6.5)	(3.3)

Perpetuum Limited

perpetuum

Cost	£686,000	
Valuation	£780,000	
Basis of valuation	Funding round	
Equity held	7.0%	
Location	Southampton, UK	
Business	Solutions for self-powered, wireless sensor systems	
History	Quester invested in 2006 funding round, seed funding by Sulis in 2004	
Co-investment	Quester VCT 4, Quester VCT 5, Quester Venture Partnership and Sulis Seedcom Fund	
Audited financial information	2006	2005
Year ended 31/12	£'m	£'m
Net assets	1.5	0.1

Antenova Limited

antenova®

Cost	£1,134,000	
Valuation	£764,000	
Basis of valuation	Manager's valuation	
Equity held	4.7%	
Location	Cambridge, UK	
Business	Developer of antenna technology and radio solutions	
History	Quester co-led syndicate in 2001 institutional round, early stage	
Co-investment	Quester VCT 4, Quester VCT 5 and Quester Venture Partnership	
Audited financial information	2005	2004
Year ended 31/12	£'m	£'m
Net assets	4.2	6.8

Level Four Software Limited

levelfour

Cost	£725,000	
Valuation	£725,000	
Basis of valuation	Funding round (cost)	
Equity held	5.1%	
Location	Maidenhead, UK	
Business	Specialist provider of ATM software solutions	
History	Early stage investment by Quester funds in 2005	
Co-investment	Quester VCT 4, Quester VCT 5 and Quester Venture Partnership	
Audited financial information	2006	2005
Year ended 30/6	£'m	£'m
Sales	1.4	1.3
Loss before tax	(1.3)	(0.4)
Loss after tax	(1.2)	(0.4)
Net liabilities	(1.0)	(0.4)

Fifteen largest venture capital investments (cont.)

Workshare Limited

Cost	£695,000
Valuation	£695,000
Basis of valuation	Funding round (cost)
Equity held	1.9%
Location	London, UK
Business	Software security tools for safe business information exchange
History	Expansion finance in 2006, Quester sole investor in 2002
Co-investment	Quester VCT 4, Quester VCT 5 and Quester Venture Partnership

Audited financial information Year ended 31/3	2007 \$'m	2006 \$'m
Sales	23.2	22.7
Loss before tax	(3.6)	(2.8)
Loss after tax	(3.6)	(2.8)
Net assets/(liabilities)	9.5	(4.9)

We7 Limited

Cost	£674,000
Valuation	£674,000
Basis of valuation	Funding round (cost)
Equity held	10.0%
Location	Oxford, UK
Business	Advert supported free legal content music download website
History	Quester early stage investment made in January 2007
Co-investment	Quester VCT 5

Audited financial information Year ended 31/12	2006 £'m
Net liabilities	(0.5)

International Diagnostics Group plc

Cost	£690,000
Valuation	£690,000
Basis of valuation	Manager's valuation
Equity held	23.9%
Location	Cambridge, UK
Business	Microbiological analysis and quality assurance programme producer
History	Expansion finance initially provided by Quester in 1988
Co-investment	-

Audited financial information Year ended 31/4	2007 £'m	2006 £'m
Sales	2.8	3.1
(Loss)/profit before tax	(0.2)	0.2
(Loss)/profit after tax	(0.2)	0.2
Net assets	0.6	0.8

Investment policy

The investment policy of the Company is to invest principally in a diversified venture capital portfolio, including unquoted companies with good growth prospects and companies whose shares are traded on AIM, and also in a portfolio of listed equities and fixed-interest securities.

The intended asset allocation is as follows:

- 85% in a venture capital portfolio designed to achieve capital growth; and
- 15% in a portfolio of listed equities or fixed-interest securities, this allocation to be held as a reserve and available for follow-on financing of companies in the existing venture capital portfolio or to meet the net operating expenses of the Company,

but the percentages may be varied from time to time so that, for example, the **asset allocation** could involve a higher percentage of venture capital investments if the reserve is fully utilised for follow-on investment in the venture capital portfolio.

Risk diversification within the venture capital portfolio will be achieved by a spread of investments across different industry sectors and investment stages. The portfolio will be focused mainly on technology-related companies in the TMT and healthcare sectors. Initial investment may be made in companies at early stage or development stage or in companies seeking to raise capital on AIM.

The target size for venture capital investments at date of first investment will be between £500,000 and £1.0 million (which may be increased with subsequent follow-on investment) and no single investment at cost will normally exceed 5% of the Company's net asset value.

From time to time the venture capital portfolio may include listed, NASDAQ-traded or AIM-traded companies in which investment was originally made on an unquoted basis.

Risk diversification within the portfolio of listed equities and fixed interest securities will be achieved by a broad spread of equity and other investments to be selected by the Company's quoted and fixed interest investment adviser.

Gearing will not normally be employed.

The Directors intend that the Company will continue to qualify as a Venture Capital Trust under the provisions of sections 258-332 of the Income Tax Act 2007. Under these provisions it is a requirement that not more than 15% of the Company's gross assets be invested in the securities of any one company or group (aggregating for this purpose any existing holding in the company concerned). From time to time, however, within the portfolio of fixed-interest securities, more than 15% of the Company's gross assets may be invested in a single Government stock (e.g. a short-dated gilt).

Board of Directors

Jock Birney, Chairman, spent the majority of his career in corporate finance at UBS until 1998 and four years subsequently with the private equity arm of Swiss Re. He is a non-executive director and investor in Canopus, a management buy out of a Lloyd's business, and in Hammonds Direct, a volume conveyancer.

Andrew Carruthers is chief executive officer of SPARK Ventures plc, which acquired the Quester management company in May 2007. He was previously a director of NewMedia Investors Limited responsible for capital raising and corporate finance for a range of technology businesses including Lastminute.com. Prior to that he was involved in the operational management of technology and finance as a director or founder of online information, TV and digital distribution companies in the US and UK. He qualified as a Chartered Accountant with KPMG and was a founding director appointed to the board of SPARK Ventures plc in 1999. Andrew is a director of SPARK Venture Management Limited.

Andrew Holmes was the executive chairman of Quester, which he founded in 1984, until it was sold to SPARK Ventures plc in May 2007. He previously spent eight years with 3i plc, where he managed its largest investment office. His commercial experience is based on an early career as a commercial lawyer with City solicitors Freshfields and in smaller quoted company corporate finance. He was a director of SPARK Venture Management Limited as at the year end, but recently retired in April 2008. Andrew will be retiring as a Director of the Company at the forthcoming Annual General Meeting.

Tom Sooke has been chairman and non-executive director of a number of quoted and unquoted private equity funds and other companies in recent years, and is currently on the boards of Matrix Income & Growth VCT plc and Matrix Income & Growth 3 VCT plc. Previously, he was a partner in Deloitte & Touche, co-managing the firm's corporate advisory group in London. Prior to that he was a main board director and corporate finance director at Granville Holdings plc, where he also established and ran its main private equity fund activities for a number of years. He was also one of the co-founding members of the British Venture Capital Association. Tom Sooke is chairman of the Audit Committee.

Christopher Wright has significant experience of venture capital investing in technology and life sciences on both sides of the Atlantic, as well as having managed funds in other classes of private equity. Christopher is currently engaged in a number of roles, including director of Merifin Capital Group, Brussels; advisory director of Campbell Lutyens Inc., chairman of Wall Street Technology Partners LLC, chairman of EMAalternatives LLC and chairman of Noble Venture Finance LLP. His current activities follow over 24 years' experience with Kleinwort Benson, latterly having been Global Head of Private Equity and management board member within the Dresdner Bank Group.

All the Directors are non-executive and Jock Birney, Tom Sooke and Christopher Wright are independent of the Manager. In accordance with the Company's Articles of Association, at the forthcoming Annual General Meeting, Jock Birney and Tom Sooke offer themselves for re-election and Andrew Carruthers, having been appointed during the period, offers himself for election.

Directors' report

The Directors present their report and the audited financial statements for the ten months to 31 December 2007.

Activities and status

The principal activity of the Company during the period was the making of equity investments, mainly in unquoted companies. As at 31 December 2007 the Company had been granted provisional approval by HM Revenue & Customs as a Venture Capital Trust in accordance with Sections 258-332 of the Income Tax Act 2007. In the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. The Company was not at any time up to the date of this report a close company within the meaning of Section 414 of the Income and Corporation Taxes Act 1988.

The Company's ordinary shares of 5p each have been listed on the Daily Official List of the UK Listing Authority since 3 April 1996.

Business review

The business review which is required by Section 234ZZB of the Companies Act 1985 which has been prepared by the Manager and adopted by the Directors is set out on page 6 and is included in this report by reference.

Change of accounting date

The accounting reference date has been changed from 28 February to 31 December, which results in a 10 month accounting period to 31 December 2007 for the period under review. The change in accounting reference date has been implemented to simplify the administration of the three Quester VCTs, which from now on will report on the same date.

Financial results and dividends

The net loss attributable to shareholders for the period ended 31 December 2007 was £4,886,000 (year ended 28 February 2007: profit of £983,000). A second interim dividend in respect of the year ended 28 February 2007 of 2.8p per share, equivalent to £3,299,000, was paid on 21 March 2007.

The Board declared an interim dividend in respect of the ten months to 31 December 2007 of 1.4p per share, equivalent to £1,612,000, which was paid on 7 December 2007. The Board recommends the payment of a final dividend of 2.8p per share, equivalent to approximately £3.2 million, which upon approval by shareholders at the Annual General Meeting, will be payable on 15 October 2008.

As at 31 December 2007, the Company had accumulated gains net of losses on revaluation of £945,000 (28 February 2007: net losses of £1,102,000) and retained a positive balance on its profit and loss account of £2,682,000 (28 February 2007: positive balance of £4,289,000). During the period a transfer of £10,237,000 has been made from the special reserve to the profit and loss account to offset losses arising in the period, including £5,076,000 representing write-off of venture capital investments during the period and £4,194,000 representing losses of prior years now considered to represent an impairment in value: see note 13.

Share capital

In accordance with CA85 Schedule 7 paragraph 13, the Directors provide the following information about the Company's securities.

The Company's capital structure is shown on page 40. The shares carry a right to receive discretionary dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval. On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings. Information regarding substantial shareholdings is disclosed on page 20.

On a show of hands, every shareholder who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, and every proxy for any shareholder (regardless of the number of shareholders for whom he is a proxy), shall have one vote on a show

Directors' report (cont.)

of hands. On a poll every shareholder present in person or by proxy or by representative (in the case of a corporate member) shall have one vote for each share of which he is the holder, proxy or representative. Instruments appointing a proxy to vote at a general meeting of the company have to be executed in accordance with the Company's articles of association, and delivered to the Company or such other place specified in the notice convening the meeting not less than 48 hours before the time that the meeting is to commence.

The Company's articles can be amended only by a special resolution of the members, requiring a majority of not less than 75% of such members as vote in person or by proxy.

Information, about the appointment of directors, their terms and period of appointment, and their re-election are given in the corporate governance statement on page 24. Their existing power to authorise and allot shares and to repurchase equity securities, and the resolution to renew this facility, are documented in the AGM resolutions on page 21.

Purchase and cancellation of shares

During the period 2,934,360 ordinary shares of 5p each were bought in by the Company for cancellation at a total cost of £968,000. The impact on the net asset value was to increase it by 0.1 pence per share. The purpose of the share buy-backs was to satisfy demand from those shareholders who sought to sell their shares during the period, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. The Company may be able to buy back limited volumes of its shares from time to time. However its ability to do so may be constrained by the level of its own liquid resources, VCT specific legislation and the regulations of the UKLA.

Directors

The Directors of the Company who served during the period and their interests in the issued ordinary shares of 5p each of the Company at 31 December 2007 and as at the date of this report were as follows:

	31 December 2007	28 February 2007
JD Birney (Chairman)	166,611	166,611
AB Carruthers (appointed 27 June 2007)	-	-
APG Holmes	525,202	525,202
TP Sooke	37,224	37,224
CJB Wright	7,852	7,852

The interests in the ordinary shares of the Company held by APG Holmes, as disclosed in the table above, include interests held by connected parties.

All of the Directors' share interests shown above were held beneficially and no right to subscribe for shares in the Company was granted to, or exercised by, any Director during the period.

APG Holmes who was a director of SPARK Venture Management Limited ("SVML"), the Manager, throughout the period, retired as a director on 16 April 2008. AB Carruthers was appointed as a director of SVML on 4 June 2007. Save for the Management Agreement and the related performance incentive fee referred to in note 3 of the financial statements, no contracts subsisted during or at the end of the period in which any Director was materially interested. Disclosures required by Financial Reporting Standard (FRS) 8, "Related Party Disclosures" are set out in note 18 of the financial statements.

Directors' responsibility statement

The Directors' responsibility statement is set out on page 28.

Secretary

Nghi Tran is the Company Secretary.

Investment manager

SPARK Venture Management Limited ("SVML"), formerly called Quester Capital Management Limited, is the Manager to the Company. The Manager was acquired by NewMedia SPARK plc (since renamed SPARK Ventures plc) on 11 May 2007 and its name was changed to the present one on 24 October 2007. The principal terms of the Company's management agreement with SVML as applicable during the period ended 31 December 2007 are set out in note 3 of the financial statements and have not changed throughout the period to 31 December 2007.

The suitability of the position of the Manager is under continuous assessment by the Directors. The Directors considered several new managers prior to the acquisition of Quester Capital Management Limited by NewMedia SPARK plc in May 2007 and concluded that the expertise of the combined team of investment managers (as it would be following that acquisition) in early stage TMT and healthcare companies meant that the combined team would be best placed to manage the portfolio. In the opinion of the Directors, the continuing appointment of the Manager on the terms set out in the management agreement is in the interests of the shareholders as a whole.

OLIM Limited acts as adviser to the Company in respect of investments in listed equities and fixed interest securities and has limited discretion to manage this portfolio.

Performance measurement

It is the responsibility of the Manager to seek the best investments and to manage the portfolio in the most beneficial way to achieve the highest returns for shareholders. The Board reviews investment activity and the performance of the Company on a continuous basis. Each Director receives a detailed quarterly report from the Manager, including management accounts and progress reports on the investee companies. The net asset value of the Company's shares is announced quarterly via a regulatory news service: see page 52 for details.

The Board considers total return to shareholders to be the key performance indicator: this is given on page 1. Total return is a combination of net asset value and amounts returned to shareholders by way of dividend. This measure does not reflect the tax benefits available to shareholders at the time of their initial investment. Whilst it is appropriate to consider the performance of the Company relative to its peers, which is a review undertaken by the Board, a direct comparison is not always appropriate or relevant given the Company's niche investment focus and there are no particularly relevant indices with which to compare the performance of the Company.

The Board is aware that share price performance is the most important factor to many of the Company's shareholders. Share price performance is linked to movements in net asset value, but an overriding factor is the very limited secondary market for VCT shares generally and the share price will typically be at a discount to net asset value. The Board undertakes a regular review of the level of the discount and consideration is given to ways in which share price performance may be enhanced.

Financial instruments

Information on the Company's objectives and policies in relation to financial risk and its management and exposure to market risk, liquidity and credit risk is provided in note 17 to the financial statements.

Principal risks and how the Board seeks to mitigate them

The Company's assets consist principally of unquoted venture capital investments (mainly in equities), quoted venture capital investments (in equities) and listed investments more generally: its main area of risk therefore relates to investment selection and the subsequent performance of the underlying businesses. Risks are inherent in venture capital investment, particularly in early stage companies. The specific key risks faced by the Company, together with the Board's approach to mitigation of operational and regulatory risks are as set out below.

Objective, strategy and investment performance

The Board regularly reviews the investment policy in relation to market and economic conditions and the operation of the Company's peers. The Board receives regular reporting allowing it to

Directors' report (cont.)

monitor the Company's investment performance and its compliance with the investment policy. The Manager regularly presents to the Board and detailed quarterly progress reports on the investee companies are circulated to the Board and considered at the quarterly Board meetings. The rationale for individual investment selection is documented prior to the making of an investment. This documentation is also circulated to the Board.

Regulatory – compliance with the Venture Capital Trust rules

A breach of the Venture Capital Trust rules could result in HM Revenue and Customs withdrawing the Company's VCT approval. If this approval were to be withdrawn, the Company would lose its VCT status and all tax reliefs, including those available to shareholders, would be likely to be cancelled, some possibly with retrospective effect. The Board and the Manager frequently review compliance with the Venture Capital Trust rules. Information on the Company's continued compliance with the relevant rules and regulations is formally reported to the Board on a regular basis.

Operational

All proposed investment decisions are notified by the Manager to the Board prior to a decision to invest being made and all significant transactions and income and expenditure are reported to the Board. The Board regularly considers all operational risks and the measures in place to control them. The Board ensures that satisfactory assurances are received from the Manager. The Manager produces quarterly reports for review by the Company's Audit Committee and representatives of the Manager are available to attend meetings in person if required.

Creditor payment policy

The Company's payment policy is to ensure settlement of supplier invoices in accordance with their standard terms. At 31 December 2007 there were no days billings from the suppliers of services outstanding (28 February 2007: nil).

Substantial shareholdings

As at 31 December 2007 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3% of any class of the issued share capital.

Audit information

The Directors holding office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of this information.

Annual General Meeting

The Annual General Meeting will be held at Dartmouth House, 37 Charles Street, London, W1J 5ED at 10:30 a.m. on 18 June 2008.

The Notice of Annual General Meeting is set out at the end of this document. In addition to ordinary resolutions relating to the adoption of the annual report and accounts, the approval of the directors' remuneration report, the re-election and election of Directors and the re-appointment of Grant Thornton UK LLP as auditor, the following resolutions are proposed:

To declare a final dividend (Resolution 3 – ordinary resolution)

This resolution proposes to declare a final dividend of 2.8p per share in respect of the period ended 31 December 2007. The proposed dividend is equivalent to approximately £3.2 million and upon approval by shareholders at the Annual General Meeting, will be payable on 15 October 2008 to shareholders registered at the close of business on 19 September 2008. As indicated in the Chairman's statement, upon approval by shareholders of the recommended final dividend, the "Tier 1" performance incentive fee will become payable to the Manager at a cost to the Company of £1,040,000.

[Authority to allot shares \(Resolution 8 – ordinary resolution\)](#)

This resolution proposes to renew the Directors' authority to allot relevant securities (as defined in the Companies Act 1985) of the Company. The maximum number of relevant securities that the Directors could allot under this authority is 86,546,730, which represents the total unissued share capital of the Company. The Directors have no present intention to exercise this authority. The authority will lapse five years after it is passed.

[Authority for the disapplication of pre-emption rights \(Resolution 9 – special resolution\)](#)

This resolution proposes to renew the Directors' power to allot equity securities for cash up to an aggregate nominal amount of £567,266.35 (being 10% of the Company's current issued share capital) without first offering the securities to existing shareholders. The Directors consider that it may in certain circumstances be in the best interests of the Company to allot shares for cash otherwise than pro rata to existing shareholders.

[Authority to change the Company name \(Resolution 10 – special resolution\)](#)

This resolution proposes that the name of the Company be changed from Quester VCT plc to SPARK VCT plc.

[Authority for the Company to purchase its own shares \(Resolution 11 – special resolution\)](#)

This resolution proposes to renew the existing power of the Company to purchase its own shares up to a maximum number of 11,345,327 shares, which represents 10% of the total number of shares currently in issue. The Directors consider that it may in certain circumstances be advantageous for the Company to be able to purchase its own shares. Occasional market purchases by the Company of its own shares could provide an additional measure of liquidity in the market for the Company's shares and can enhance the net asset value per share for the Company's remaining shareholders. The maximum price that may be paid for an ordinary share will be an amount which is not more than 5% above the average of the mid-market quotations of the ordinary shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the date of purchase. Shares that are purchased will be cancelled. The power will be exercised only if, in the opinion of the Directors, a purchase by the Company of its own shares would be in the interests of the Company's shareholders.

[Adoption of new Articles of Association \(Resolution 12 – special resolution\)](#)

It is proposed in resolution 12 to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in company law brought about by the Companies Act 2006 (the "2006 Act"), which is being brought into force in stages.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act have not been noted.

A copy of the New Articles, together with a copy marked-up to show the differences between the New Articles and the Current Articles, are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this document until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting itself from 10:00 a.m. until the close of the Meeting.

[Specific references to the Companies Act 1985 \(the "1985 Act"\) in the Current Articles](#)

Where provisions of the 1985 Act have been already repealed or replaced in their entirety by new provisions in the 2006 Act, references to "the Act" (i.e. the 1985 Act) have been updated to refer to the 2006 Act.

[Form of resolution](#)

The concept of extraordinary resolutions has not been retained under the 2006 Act, therefore references to extraordinary resolutions have been replaced with references to special resolutions. Similarly, the term "extraordinary general meeting" is no longer used in the 2006 Act, therefore references to extraordinary general meetings have been replaced in the New Articles by references to general meetings.

Directors' report (cont.)

Electronic and web communication

The 2006 Act has increased the ways in which companies can use electronic communications. In particular, the 2006 Act permits all communications between shareholders and the Company to be made in electronic form and documents or information to be sent or supplied via the Company's website to shareholders who have not either requested a hard copy of the relevant document or information or provided an email address to which the document or information can be sent. The Board believes that it may be in the interests of the Company to take advantage of these broader powers and, subject to the passing of Resolution 12, the Company may in future make use of these provisions in order to facilitate communications between the Company and its shareholders and to reduce the current considerable cost associated with sending paper copies of documents to a large number of shareholders.

If Resolution 12 is approved by shareholders and the Company decides to make use of the electronic communication provisions, the Company will write to you explaining the process for electronic communications.

The overall effect of this proposed change to the Company's articles of association will be to allow the Company to increase its use of electronic communications with shareholders. However, the rights of those shareholders who wish to receive documents in paper form (hard copy) will be fully protected.

Votes of members

Under the 2006 Act proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The New Articles reflect these new provisions.

Investigations into interest in shares

Section 212 of the 1985 Act, which allows public companies to investigate who held an interest in their shares, has been repealed and replaced by new (but similar) provisions of the 2006 Act. Although the regimes are substantially the same, appropriate cross-reference changes in the New Articles have been made. The New Articles have also been redrafted for clarity.

Maximum age of directors

The provisions of the 1985 Act which prevented a person from being appointed a director of a company if he had reached the age of 70 (subject to certain exceptions) and imposed a duty on a director to disclose his age, if over 70, have been repealed but not replaced. The New Articles have been amended to remove such restrictions.

Notices of general meeting

All general meetings of public companies (other than the annual general meeting) of which notice is given after 1 October 2007 may be called upon 14 days' notice. The New Articles have been amended to reflect this.

Conflicts of interest

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when the Directors decide whether to authorise a conflict or potential conflict. First, only those Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Exercise of members' rights

The 2006 Act provides for indirect investors who hold their shares through intermediaries to exercise certain membership rights. One of these rights is that members of a company (for instance nominees) will be able to nominate another person (for instance, the beneficial holder of shares) to receive all of the information that those nominating members are entitled to receive as shareholders as if the nominated person was himself a shareholder. The New Articles provide for the nomination process and include associated provisions relating to the Company's maintenance of records of nominations made. The Directors believe that relatively few members will wish to make use of nomination rights, but any members wishing to do so should contact Capita Registrars.

Directors' indemnities and loans to fund expenditure

The 2006 Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings.

Deemed receipt or email

Following the recommendation in the 2007 ICSA Guidance on Electronic Communication with Shareholders, the New Articles contain a provision stating that when any notice or other shareholder information is given or sent by the Company by electronic means, it shall be deemed to have been given on the same day as it was sent to an address supplied by the member or person nominated by the member to receive shareholder information. This is different to the default provision in the 2006 Act. Section 1147(2) of the 2006 Act states that emails are deemed to be delivered 48 hours from the date they are sent.

General

The New Articles have been updated to be consistent with CREST and certain provisions of the New Articles have therefore been redrafted to include appropriate references to the CREST system. References to Redeemable Non-Voting Preference Shares have been removed as such shares of the Company have been redeemed and no longer form part of its share capital, issued or unissued.

Going concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Auditor

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditor on 30 July 2007 creating a casual vacancy, which the Directors filled by appointing Grant Thornton on 11 October 2007. Accordingly, a resolution to reappoint Grant Thornton as auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the Annual General Meeting. Under Section 388 of Companies Act 1985, this resolution requires special notice.

By order of the Board

Nghi Tran
Secretary
30 April 2008

Statement of corporate governance

Except where stated, the Board considers that the Company has complied throughout the period with the provisions of Section 1 of the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 and the application of those provisions is set out below.

The Board

Following the acquisition of the Manager by SPARK Ventures plc in May 2007, AB Carruthers was appointed to the Board temporarily increasing the number of members to five non-executive Directors, three of whom are independent of the Manager. AB Carruthers and APG Holmes are both associated with the Manager, however the majority of the Board acts independently of the Manager and Andrew Holmes has stated his intention to retire as a Director of the Company at the forthcoming Annual General Meeting. The Company has no staff and consequently the provisions of the Combined Code which relate to the division of responsibilities between a chairman and a chief executive officer are not applicable. The Board has considered whether it is appropriate to appoint a senior independent director and has concluded that, due to the size of the Board, the size of the business and its lack of complexity, it is inappropriate for the time being. The appointment of a senior independent director is reviewed annually.

The Board has a formal schedule of matters reserved to it and meets between three and four times each year and on other occasions as required. The Board as a whole is responsible for the appointment of its own members and professional advisers (neither a nominations committee nor a remuneration committee has been appointed as the Directors consider the Board to be small). Other matters specifically reserved to the Board include banking arrangements, proposals for changes to the Articles and related party transactions. In addition, the Board carefully reviews the allocation of investments made by the Manager between the Company and its other managed funds, in accordance with established guidelines. The Board receives the minutes of the investment committee of the Manager that meets weekly to discuss the venture capital portfolio and receives a detailed quarterly report from the Manager, including management accounts and progress reports on the investee companies. Any additional information is supplied on request.

The attendance of individual Directors at Board and Committee meetings during the ten months to 31 December 2007 was as follows:

	Scheduled Board meetings	Scheduled Audit Committee meetings
JD Birney (Chairman)	3/3	2/2
AB Carruthers (appointed 27 June 2007)	1/1	n/a
APG Holmes	2/3	n/a
TP Sooke	3/3	2/2
CJB Wright	3/3	2/2

In addition to the meetings referred to above, a number of further Board, Committee and individual meetings were held during the period to deal with matters arising in the ordinary course of the Company's business.

TP Sooke, who is chairman of the Audit Committee, was appointed to the Board on 1 February 1996 and JD Birney, the Chairman of the Company, was appointed to the board of Quester VCT 2 plc (which was merged with the Company in 2005) on 28 January 1998. The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, a Director's judgement and has concluded that all of the Directors are independent of the Manager with the exception of AB Carruthers and APG Holmes.

There is a formal process for evaluating the performance of the Board. Under this arrangement the Board, led by the Chairman, has conducted a performance evaluation to determine whether it, its Committees and individual Directors are functioning effectively. A list of questions based on the 2006 Combined Code has been used to provide a framework for this evaluation process. Particular

attention is paid to those Directors who are due for reappointment. The results of the overall evaluation process are communicated to the Board and followed up with appropriate action, if necessary. Performance evaluations are conducted annually.

The Articles of Association require that all Directors be subject to re-election procedures by rotation at the Annual General Meeting ("AGM"). All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years and annually in the case of Directors who have served for longer than nine years. The Articles of Association also require that any Directors appointed by the Board during the year shall hold office until the following AGM and shall then be eligible for re-election.

Accordingly, JD Birney and TP Sooke are proposed for re-election and AB Carruthers is proposed for election at the AGM. The Chairman has conducted a performance evaluation of AB Carruthers and TP Sooke, taking into account the views of all Directors. He considers that their performance continues to be effective and that they continue to demonstrate commitment to their roles. He therefore believes that these individuals should be re-elected to the Board. The Chairman's own evaluation is performed by the other Directors, who consider that his performance continues to be effective, that he continues to demonstrate commitment to his role, and they believe that he should be re-elected to the Board.

Under the terms of appointment of all Directors, the liability of the Company on termination of a directorship is limited to any unpaid fees due at the date of termination.

All Directors have access to the advice and services of the Company Secretary and are able to take independent professional advice in furtherance of their duties if necessary. Information regarding the terms of appointment of the non-executive Directors is available on request.

The Audit Committee

The Audit Committee consists of the three independent non-executive Directors and is chaired by TP Sooke. As the Company's Board is small, JD Birney, the Chairman, is also a member of the Audit Committee. Written terms of reference have been constituted for the Audit Committee and are available to shareholders on request. The Audit Committee meets at least twice a year to review the interim management statements, half yearly financial report, annual report and accounts and the terms of appointment of the auditor together with its remuneration. The Committee undertakes a periodic review of the terms of the Management Agreement with SVM. The auditor, Grant Thornton UK LLP, also performs tax services, monitors compliance with the Venture Capital Trust provisions and advises on accounting issues. The Audit Committee reviews the need for non-audit services and authorises such on a case-by-case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the auditor. The Audit Committee has satisfied itself that the auditor is independent and that its objectivity is unimpaired.

Internal control

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. It has adopted a risk-based approach to identifying the key internal controls, including financial, operational and compliance controls and risk management systems, the performance of which has subsequently been monitored throughout the period and up to the date of approval of this report. The key risks and internal controls are re-appraised annually by the Directors and the appraisal is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. No significant failings or weaknesses were identified from this process.

The need for an internal audit function has been considered by the Board and will be reconsidered annually. Due to the size of the business and its lack of complexity, the Directors consider that the establishment of an internal audit function is unnecessary.

Statement of corporate governance (cont.)

Responsibility for accounting, secretarial services and custody of documents of title relating to investments has been contractually delegated to SVML under the terms of the management agreement. SVML, which is authorised and regulated by the Financial Services Authority, has established its own system of internal controls in relation to these matters, on which it has reported to the Board.

Relations with shareholders

The Company does not have any major shareholders.

This year's Annual General Meeting will be held on 18 June 2008 when shareholders will have the opportunity to meet the Board. The Notice of Meeting is set out on page 48. Separate resolutions are proposed at the AGM on each substantially separate issue. Proxy votes are counted. In order to comply with the Combined Code, proxy votes will be announced at the AGM, following each vote on a show of hands, except in the event of a poll being called.

In addition to the formal business of the AGM, a brief presentation will be given by a representative of the Manager. Representatives of the Manager, the Board and the Audit Committee will be available to answer any questions that a shareholder may have. In addition to the above, the Board is always pleased to respond to any written queries made by shareholders during the course of the year.

Directors' remuneration report

This report is prepared in accordance with Schedule 7A of the Companies Act 1985. The Company's auditor is required to report on certain information contained within this report (shown in the box below). The auditor's opinion is included within the auditor's report commencing on page 46.

The Board as a whole considers Directors' remuneration and a remuneration committee has not been established. The Board has access to independent advice where it considers it appropriate. The Board's policy is that the remuneration of non-executive Directors should reflect time spent and the responsibilities borne by the Directors on the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. The Company's Articles of Association limit fees payable to the Directors to £80,000 in aggregate. Directors' fees payable during the period totalled £47,000, (year ended 28 February 2007: £57,000) as set out below and in note 5 to the financial statements.

As detailed in note 3 to the financial statements, SVML will become entitled to a performance incentive fee upon certain defined performance objectives having been achieved. Andrew Holmes who was an executive director of SVML throughout the period resigned on 16 April 2008. AB Carruthers was appointed as a director of SVML on 4 June 2007. With this exception, no Director's or former Director's remuneration is performance related and Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits. It is considered appropriate that no other aspect of any Director's remuneration should be performance related in light of their non-executive status. It is the intention of the Board that the above remuneration policy will continue to apply in the forthcoming financial year and in subsequent years.

The Directors consider that total return (defined as the net asset value per share of the Company plus cumulative dividends paid) to ordinary shareholders since the date of launch of the Company is the most appropriate indicator of the performance of the Company. The total return (excluding tax benefits of 20p per share) of 84.1p, which is given on page 1, can be compared against the issue price of 100p at the date of launch of the fund.

Fees payable in respect of services provided by the Directors who served during the period are listed below.

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
JD Birney	19	20
AB Carruthers (appointed 27 June 2007) ⁽¹⁾	-	-
APG Holmes ⁽¹⁾	-	-
BTR Scruby (resigned (20 June 2006)	-	5
TP Sooke ⁽²⁾	15	17
CJB Wright	13	15
	47	57

None of the Directors received any other remuneration or benefit during the period except as disclosed in these accounts.

(1) APG Holmes and AB Carruthers waived their entitlement to Directors' fees for all accounting periods ended on, or prior to, 31 December 2007.

(2) Amounts paid to third parties in respect of services provided by TP Sooke include £2,500 p.a. in his capacity as chairman of the Audit Committee

There is no notice period stipulated in the service contracts with any of the Directors. No compensation is payable to Directors on leaving office.

The Directors' remuneration report forms part of the annual report and accounts. These were approved by the Board of Directors on 30 April 2008 and signed on its behalf by the Chairman.

An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

Directors' responsibility statement

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. Under that law the Directors have elected to prepare the financial statements in accordance with UK accounting standards.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements are published on the www.sparkventures.com website, which is maintained by the Manager. The maintenance and integrity of the website maintained by SPARK Ventures plc or any of its subsidiaries is, so far as it relates to the Company, the responsibility of SPARK Ventures plc. The work carried out by the auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Under applicable law and regulations, the Directors are responsible for preparing a Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable UK accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

The responsibility statement was approved by the Directors on 30 April 2008 and signed on their behalf by the Chairman.

Profit and loss account for the ten months to 31 December 2007

	Notes	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
(Loss)/gain on investments at fair value through profit or loss	9(d)	(4,314)	1,712
Income	2	636	909
Investment management fee	3	(776)	(1,183)
Other expenses	4	(432)	(455)
(Loss)/profit on ordinary activities before taxation		(4,886)	983
Tax on (loss)/profit on ordinary activities	6	-	-
(Loss)/profit on ordinary activities after taxation		(4,886)	983
Basic and fully diluted (loss)/earnings per share	8	(4.3)p	0.8p

All items in the above statement derive from continuing operations.

The Company has only one class of business and derives its income from investments made in shares and securities and from bank deposits.

There are no gains and losses for the period other than those passing through the profit and loss account of the Company.

The accompanying notes are an integral part of this statement.

Balance sheet as at 31 December 2007

	Notes	31 December 2007 £'000	28 February 2007 £'000
Fixed assets			
Investments at fair value through profit or loss	9(a)	36,294	42,659
Current assets			
Debtors	10	177	989
Cash at bank		1,417	5,014
		1,594	6,003
Creditors: amounts falling due within one year	11	(212)	(334)
Net current assets		1,382	5,669
Net assets		37,676	48,328
Capital and reserves			
Called-up equity share capital	12	5,673	5,805
Share premium account	13	150	51
Capital redemption reserve	13	611	465
Special reserve	13	27,615	38,820
Revaluation reserve	13	945	(1,102)
Profit and loss account	13	2,682	4,289
Total equity shareholders' funds		37,676	48,328
Net asset value per share	14	33.2p	41.6p

The financial statements on pages 29 to 45 were approved by the Directors on 30 April 2008 and were signed on their behalf by:

Jock Birney
Chairman

The accompanying notes are an integral part of this statement.

Cash flow statement for the ten months to 31 December 2007

	Notes	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
Cash inflow/(outflow) from operating activities	15	125	(828)
Financial investment			
Purchase of venture capital investments	9(b)	(3,764)	(8,769)
Purchase of listed equities and fixed interest investments	9(b)	(7,514)	(4,083)
Sale of venture capital investments	9(b)	1,237	5,409
Sale/redemption of listed equity and fixed interest investments	9(b)	11,926	3,572
Amounts recovered from investments previously written off	9(d)	159	10
Total net financial investment		2,044	(3,861)
Equity dividends paid	7	(4,911)	(4,669)
Financing			
Buy-back of ordinary shares	12	(968)	(1,471)
Issue of shares under the terms of the dividend reinvestment scheme	12	113	150
Total financing		(855)	(1,321)
Decrease in cash for the period		(3,597)	(10,679)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash for the period		(3,597)	(10,679)
Net funds at the start of the period		5,014	15,693
Net funds at the end of the period		1,417	5,014

The accompanying notes are an integral part of this statement.

Net funds comprise cash at bank and on short term deposit.

Reconciliation of movements in shareholders' funds for the ten months to 31 December 2007

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 March 2007	5,805	51	465	38,820	(1,102)	4,289	48,328
Shares issued under the dividend reinvestment scheme	14	99	–	–	–	–	113
Shares purchased for cancellation	(146)	–	146	(968)	–	–	(968)
Realisation of prior years' net losses on investments	–	–	–	–	1,613	(1,613)	–
Transfer from special reserve to profit and loss account	–	–	–	(10,237)	–	10,237	–
Net gain on revaluation of investments	–	–	–	–	434	(434)	–
Loss on ordinary activities after taxation	–	–	–	–	–	(4,886)	(4,886)
Dividends	–	–	–	–	–	(4,911)	(4,911)
At 31 December 2007	5,673	150	611	27,615	945	2,682	37,676

The accompanying notes are an integral part of these statements.

Notes to the financial statements

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

Basis of accounting

These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of fixed asset investments, and in accordance with applicable UK accounting standards.

Investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment policy, and information about the portfolio is provided internally on that basis to the Board.

Accordingly, upon initial recognition (using trade date accounting) the investments are designated by the Company as 'at fair value through profit or loss'. They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off to the profit and loss account).

Subsequently, the investments are valued at 'fair value', which is measured as follows:

- UK listed and AIM-traded investments are valued at their bid prices at the close of the period as issued by the London Stock Exchange; investments listed overseas are valued at bid prices (where a bid price is available) or otherwise at fair value based on published price quotations.
- unquoted investments, where there is not an active market, are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date. Such investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Indicators of fair value are derived using established methodologies including earnings multiples, prices of recent investment rounds, net assets and industry valuation benchmarks. Where the Company has an investment in an early stage enterprise, the price of a recent investment round is often the most appropriate approach to determining fair value. In situations where a period of time has elapsed since the date of the most recent transaction, consideration is given to the circumstances of the investee company since that date in determining fair value. This includes consideration of whether there is any evidence of deterioration or strong definable evidence of an increase in value. In the absence of these indicators, the investment in question is valued at the amount reported at the previous reporting date. Examples of events or changes that could indicate such an impairment include:
 - the performance and/or prospects of the underlying business are significantly below the expectations on which the investment was based;
 - a significant adverse change either in the investee company's business or in the technological, market, economic, legal or regulatory environment in which the business operates; or
 - market conditions have deteriorated, which may be indicated by a fall in the share prices of quoted businesses operating in the same or related sectors.

The Company does not exercise control or significant influence over investee companies and in accordance with the exemptions under FRS 9 "Associates and Joint Ventures", where the Company holds more than 20% but less than 50% of an investment and the investment is not a subsidiary, it is not treated as an associated company.

Notes to the financial statements (cont.)

Gains and losses on investments

When the Company revalues its investments during an accounting period, any gains or losses are recognised in the profit and loss account within 'gains/(losses) on investments at fair value through profit or loss'. Any losses on investments that are not considered by the Directors to reflect an impairment in the value of the investment, or gains on investments, are subsequently transferred from/to the revaluation reserve. When an investment is sold or the Directors consider that its value is impaired, any amount held in the revaluation reserve is transferred to the profit and loss account. Where the overall result on the sale of an investment is a loss or there is an impairment in the value of an investment, a transfer is made from the special reserve to the profit and loss account, equal to the amount of such losses.

Income

Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Income receivable on unquoted equity and non-equity shares and loan notes are brought into account when the Company's right to receive payment and expect settlement is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis (including amortisation of any premium or discount to redemption) so as to reflect the effective interest rate, provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses, including expenses incidental to the acquisition or disposal of an investment, are accounted for on an accruals basis and are charged wholly to the profit and loss account. Any costs associated with the issue of shares are charged to the share premium account. Any costs associated with the buy-back of shares are charged to the special reserve.

Taxation

Corporation tax is applied to profits chargeable to corporation tax, if any, at the applicable rate for the period. The Company has not provided for deferred tax on any capital gains/losses arising on the revaluation or disposal of investments as these items are not subject to tax whilst the Company maintains its Venture Capital Trust status. The Company intends to continue to meet the conditions required for it to hold approved Venture Capital Trust status for the foreseeable future. Deferred tax assets in respect of surplus management expenses are only recognised to the extent that those expenses are likely to be recoverable against future taxable profits of the Company.

Foreign exchange

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("Sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each balance sheet date, monetary items and non-monetary assets and liabilities that are measured at fair value, which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Exchange differences arising on settlement of monetary items and from retranslating at the balance sheet date of investments and other financial instruments measured at fair value through profit or loss, and other monetary items, are included in the profit and loss account. Exchange differences relating to investments and other financial instruments measured at fair value are subsequently included in the transfer to the revaluation reserve.

Dividends

Dividends payable to equity shareholders are recognised in the reconciliation of movements in shareholders' funds when they are paid, or have been approved by shareholders in the case of a final dividend and become a liability of the Company.

2 Income

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
Dividend income		
– Unlisted companies	–	67
– Listed companies	387	368
Interest receivable		
– Listed fixed interest securities	108	106
– Loans to venture capital investee companies	42	60
– Bank deposits	38	90
Other income	61	218
	636	909

3 Investment management fee

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
Investment management fee	653	1,011
Irrecoverable VAT	123	172
	776	1,183

SPARK Venture Management Limited ("SVML"), formerly called Quester Capital Management Limited, provides investment management services to the Company under an amended and restated agreement dated 20 May 2005.

SVML is a wholly owned subsidiary of SPARK Ventures plc, a company of which AB Carruthers is an executive director and in which he is a beneficial shareholder. APG Holmes was an executive director of SVML until his retirement in April 2008.

SVML is entitled to receive a management fee, determined quarterly in arrears, at the annual rate of 2.0% on the value of the Company's net assets at the end of each quarter. This fee is capped to ensure that the Company's running costs do not exceed 3.25% of closing net asset value. Running costs in respect of the period are less than 3.25% of closing net asset value and accordingly there was no reduction in the management fee in respect of the cap (year ended 28 February 2007: nil).

Upon the Company having paid or declared by 31 December 2008 cash dividends (excluding 1.0p of the special interim dividend paid post the merger of Quester VCT plc, Quester VCT 2 plc and Quester VCT 3 plc in June 2005) of an aggregate amount equal to 20% or more of the Company's Formula Asset Value at the date of the merger (FAV), the Manager will become entitled to an additional performance incentive fee of 2% (£1,040,000) of the FAV. The performance fee will be increased by a further 1% should cash dividends paid or declared by the same date equal 40% or more of the FAV. At 31 December 2007, an aggregate amount equal to 19% of the FAV had been paid to shareholders as dividend counting against the target. This fee has not been accrued, because the recommended final dividend has not yet been approved by the shareholders and as such the fee is not a liability of the Company as at 31 December 2007.

SVML also provides administrative and secretarial services to the Company for which it was entitled to a fee of £53,000 for the period (year ended 28 February 2007: £61,000) adjusted annually in line with changes in the Retail Price Index.

Notes to the financial statements (cont.)

The investment management agreement may be terminated by the Company or the Manager giving not less than twelve months notice. Such notice may be given at any time after the date of the agreement. There are no provisions for compensation payable in the event of termination of the agreement.

4 Other expenses

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
Administrative and secretarial services	53	61
Directors' remuneration (note 5)	47	57
Auditor's remuneration		
- Fees payable to the Company's auditor for audit of the financial statements	16	14
- Fees payable to the Company's auditor and its associates for other services relating to tax	8	16
Legal and professional expenses	47	48
Insurance	27	35
UKLA, LSE and registrar's fees	20	26
Management fees payable to OLIM Limited	53	64
Transaction costs	8	7
Irrecoverable VAT	40	52
Other	113	75
	432	455

5 Directors' remuneration

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
Amounts payable to Directors or companies controlled by them	47	57
	47	57

The total fees paid or payable in respect of individual Directors for the period is detailed in the Directors' remuneration report commencing on page 27.

6 Tax on ordinary activities

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
Corporation tax	-	-

Reconciliation of profit on ordinary activities to taxation

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
(Loss)/profit on ordinary activities before taxation	(4,886)	983
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (28 February 2007:30%)	(1,466)	295
Effects of:		
Non taxable items - UK dividends and net losses/(gains) on investments	1,178	(644)
Unutilised management expenses	288	349
	-	-

The Company has excess trading losses of £6,217,000 (28 February 2007: £5,267,000) that are available for offset against future profits. A deferred tax asset of £1,865,000 (28 February 2007: £1,580,000) has not been recognised in respect of those losses as they will be recoverable only to the extent that the Company has sufficient future taxable profits.

7 Dividends

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
Second interim dividend, year ended 28 February 2007: 2.8p per share paid 21 March 2007	3,299	-
Interim dividend, period ended 31 December 2007: 1.4p per share paid 7 December 2007	1,612	-
Final dividend: 2.5p per share paid 3 July 2006	-	3,006
Interim dividend: 1.4p per share paid 22 December 2006	-	1,663
	4,911	4,669

The Directors recommend a final dividend of 2.8p per share, equivalent to £3.2 million, in respect of the period ended 31 December 2007 which, upon approval by shareholders at the Annual General Meeting, will be payable on 15 October 2008 and consequently has not been recognised in the accounts.

8 Earnings per share

The loss per share of 4.3p (year ended 28 February 2007: earnings 0.8p) is based on the loss on ordinary activities after tax of £4,886,000 (year ended 28 February 2007: earnings £983,000) and on the weighted average number of ordinary shares in issue during the period of 114,784,742 (year ended 28 February 2007: 118,098,926).

There is no dilution effect in respect of the period ended 31 December 2007 (28 February 2007: nil).

Notes to the financial statements (cont.)

9 Investments

9(a) Summary of investments

	31.12.07 £'000	28.02.07 £'000
Venture capital investments	25,634	27,075
Bonds and equity investments	10,660	15,584
	36,294	42,659
Bonds and equity investments comprise:		
Listed fixed interest investments	4,860	2,821
Listed equity investments	5,800	12,763
	10,660	15,584

9(b) Movements in investments

	Venture capital investments £'000	Bonds & equity investments £'000	Total £'000
Cost at 1 March 2007	30,914	12,847	43,761
Net (loss)/gain at 1 March 2007	(3,839)	2,737	(1,102)
Valuation at 1 March 2007	27,075	15,584	42,659
Movements in the period:			
Purchases at cost	3,764	7,514	11,278
Disposals			
- proceeds	(1,237)	(11,926)	(13,163)
- net gains on disposal	122	47	169
Impairment in value	(5,076)	-	(5,076)
Amortisation of fixed interest investments	-	(7)	(7)
Net gain/(loss) on revaluation of investments	986	(552)	434
Valuation at 31 December 2007	25,634	10,660	36,294
Book cost at 31 December 2007	25,098	10,252	35,350
Net gain at 31 December 2007	536	408	944
Valuation at 31 December 2007	25,634	10,660	36,294

Amounts shown as cost represent the valuation attributed to the investment at the date of the merger in 2005 or subsequent acquisition cost, less any reduction made on account of impairment in value.

9(c) Venture capital investments

	Valuation at 01.03.07 £'000	Additions £'000	Disposals £'000	Write-offs £'000	Other revaluations £'000	Valuation at 31.12.07 £'000
Fifteen largest venture capital investments						
Nomad Payments Limited	3,605	-	-	-	3,658	7,263
Sift Group Limited	2,249	-	-	-	-	2,249
Imagesound plc ⁽¹⁾⁽²⁾	2,269	-	-	-	(410)	1,859
Vivacta Limited	915	152	-	-	269	1,336
Cluster Seven Limited	1,196	-	-	-	-	1,196
Elaternal Holdings Limited	1,009	-	-	-	-	1,009
Skinkers Limited	-	1,000	-	-	-	1,000
Uniservity Limited	1,000	-	-	-	-	1,000
Teraview Limited	947	117	-	-	(237)	827
Perpetuum Limited	435	251	-	-	94	780
Antenova Limited	1,019	-	-	-	(255)	764
Level Four Software Limited	725	-	-	-	-	725
Workshare Limited	695	-	-	-	-	695
International Diagnostics Group plc	690	-	-	-	-	690
We7 Limited	248	426	-	-	-	674
	17,002	1,946	-	-	3,119	22,067
Other unquoted venture capital investments	6,011	1,243	-	(3,937)	(1,167)	2,150
Other quoted venture capital investments	4,062	575	(1,115)	(1,139)	(966)	1,417
	27,075	3,764	(1,115)	(5,076)	986	25,634

(1) Quoted venture capital investment

(2) Includes £1 million unquoted 5% fixed rate unsecured subordinated convertible loan notes 2012.

9(d) (Loss)/profit on investments

The overall (loss)/profit on investments at fair value through profit or loss disclosed in the profit and loss account is analysed as follows:

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
Net gain on disposal	169	1,155
Write-off of investments	(5,076)	(600)
Recoveries made in respect of investments previously written off	159	10
Net gain on revaluation of investments	434	1,147
	(4,314)	1,712

'Net gain on disposal' represents the difference between proceeds received and the carrying values of those investments sold during the period.

The amounts reported under 'write-off of investments' represent the proportion of the carrying value that have, in the opinion of the Directors, suffered an impairment in value.

Notes to the financial statements (cont.)

9(e) Significant holdings

Details of shareholdings in those companies where the Company's holding at 31 December 2007 represents more than 20% of the allotted equity share capital of any class; more than 20% of the allotted share capital; or more than 20% of the assets of the company itself, are given below. All of the companies are incorporated in Great Britain.

Company	Class of share	Number held	Proportion of class held
Artisan Software Tools Limited	Ordinary shares (3p)	218,155	2.6%
	"A" Ordinary shares (3p)	8,923,649	31.8%
	"B" Ordinary shares (3p)	194,186	2.3%
Community Internet Europe Limited	Ordinary shares (£1)	197,782	13.6%
	"B" Ordinary shares (25p)	547,344	25.8%
Elateral Holdings Limited	Ordinary shares (0.001p)	14,423,285	21.8%
	Preference shares (0.001p)	81,699,667	28.5%
HTC Healthcare Limited	"B" Ordinary shares (10p)	66,118	60.1%
	"C" Ordinary shares (0.0001p)	1,502,499	72.8%
	"A" preference shares (£1)	1,080,000	100.0%
	"B" preference shares (£1)	702,900	34.2%
International Diagnostics Group plc	"A" Ordinary shares (10p)	2,280,000	100.0%
	"B" Ordinary shares (10p)	600	60.0%
	Cumulative redeemable preference shares (£1)	600,000	60.0%
	Preferred ordinary shares (10p)	389,940	52.3%

10 Debtors

	31.12.07 £'000	28.02.07 £'000
Other debtors	92	770
Prepayments and accrued income	85	219
	177	989

11 Creditors (amounts falling due within one year)

	31.12.07 £'000	28.02.07 £'000
Accruals	212	334
	212	334

12 Called-up equity share capital

	31.12.07 £'000	28.02.07 £'000
Authorised: 200,000,000 (28.02.07: 200,000,000) ordinary shares of 5p	10,000	10,000
Allotted, issued and fully paid: 113,453,270 (28.02.07: 116,108,239) ordinary shares of 5p	5,673	5,805

The Company bought back for cancellation 2,934,360 ordinary shares, representing 2.5% of the opening issued share capital, at a cost of £968,000.

Under the terms of the dividend reinvestment scheme 279,391 shares with an aggregate nominal value of £13,970 were issued during the period for a net consideration of £113,000. The Finance Acts 2006 and 2007 set out new regulations relating to the investment of new capital raised, which extend to dividend reinvestment schemes. The regulations levy an undue administrative burden on the operation of such schemes and the Board resolved to discontinue the Scheme.

13 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 March 2007	51	465	38,820	(1,102)	4,289
Shares issued under the dividend reinvestment scheme	99	–	–	–	–
Shares purchased for cancellation	–	146	(968)	–	–
Realisation of prior years' net losses on investments	–	–	–	1,613	(1,613)
Transfer from special reserve to profit and loss account	–	–	(10,237)	–	10,237
Gain on revaluation of investments	–	–	–	434	(434)
Loss on ordinary activities after taxation	–	–	–	–	(4,886)
Dividends	–	–	–	–	(4,911)
At 31 December 2007	150	611	27,615	945	2,682

The capital redemption reserve was created in March 2005 to reflect the repurchase and cancellation of shares.

The special reserve is a distributable reserve and it allows the Company, amongst other things, to fund the buy-back of its ordinary shares as and when it is considered by the Board to be in the best interests of shareholders and also to facilitate the payment of dividends to shareholders earlier than would otherwise have been possible as transfers can be made from this reserve to the profit and loss account to offset losses on disposal of investments and impairments in value of investments. Accordingly, a transfer of £10,237,000 (including £5,076,000 representing impairments in value of investments during the period and £4,194,000 representing losses of previous years now treated as impairments in value) has been made from the special reserve to the profit and loss account.

Other gains and losses arising on the inclusion of investments at fair value, are transferred to the revaluation reserve.

The Directors consider that a net gain of £408,000 (28 February 2007: net gain of £2,737,000) included in the revaluation reserve is distributable.

14 Net asset value per share

The net asset value per share as at 31 December 2007 of 33.2p (28 February 2007: 41.6p) is based on net assets of £37,676,000 (28 February 2007: £48,328,000) divided by the 113,453,270 ordinary shares in issue at that date (28 February 2007: 116,108,239). There is no dilution effect as at 31 December 2007 (year ended 28 February 2007: nil).

Notes to the financial statements (cont.)

15 Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities

	Ten months to 31.12.07 £'000	Twelve months to 28.02.07 £'000
(Loss)/profit on ordinary activities before tax	(4,886)	983
Loss/(gain) on fair value through profit or loss on investments	4,314	(1,712)
Decrease/(increase) in debtors	812	(137)
(Decrease)/increase in creditors	(122)	19
Amortisation of fixed interest investments	7	19
Cash inflow/(outflow) from operating activities	125	(828)

16 Commitments and guarantees

As at 31 December 2007 there were legal commitments totalling £70,000 (28 February 2007: £570,000) in respect of further funding to be provided to existing investee companies. There were no guarantees outstanding (28 February 2007: £nil).

17 Financial instruments

As a Venture Capital Trust the Company invests in unquoted and AIM-traded UK companies in accordance with the investment policy set out on page 15. In addition to its venture capital portfolio, which is invested mainly in technology-related companies in the TMT and healthcare sectors, the Company maintains liquidity balances in the form of cash, listed fixed interest securities and listed equities held for follow-on financing and new venture capital investment and debtors and creditors that arise directly from its operations. At 31 December 2007, 68.0% (£25.6 million) of the Company's net assets were invested in venture capital investments and 32.0% (£12.1 million) in liquidity balances.

In pursuing its investment policy, the Company is exposed to risks that could result in a reduction in the value of net assets and consequently funds available for distribution by way of dividend or for re-investment.

These risks and the management of them, which is the responsibility of the Manager and monitored by the Directors, are unchanged from the previous accounting period and are set out below.

Market risk

The fair value or the future cash flows of financial instruments held by the Company may fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk:

- Currency risk
The Company has no significant financial instruments denominated in foreign currencies.
- Interest rate risk
The Company has no significant interest rate risk.
- Other price risk
Venture capital investments carry a significant risk of failure. The management of risk within the venture capital portfolio is addressed through careful investment selection, by diversification across different industry segments within the TMT and healthcare sectors, by maintaining a wide spread of holdings in terms of financing stage and by limitation of the size of individual holdings. There is a concentration of risk due to the focused investment policy. This risk is mitigated by the specialised expertise of the Manager. The Directors monitor the Manager's compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

A movement of 1.6% (the annual average percent reduction in total return over the last five accounting periods of the Company) in the fair value of the total venture capital portfolio would result in a movement of £0.4 million in profit before tax, which would affect the net asset value by 0.36p per share.

The liquidity balances include £10.7m of listed equities and fixed interest securities that are subject to market price changes. The Directors monitor the performance of the portfolio on a regular basis and review and agree policies with the manager for managing this risk. A movement of 1.6% in the fair value of the listed equity and fixed interest securities portfolio would result in a movement of £0.2 million in profit before tax, which would affect the net asset value by 0.15p per share.

Liquidity risk

The Company's assets comprise quoted and unquoted equity and non-equity shares, fixed income securities, short term money market investments and cash. Although the Company's AIM traded and unquoted investments are less liquid than securities listed on the London Stock Exchange, the Company has 32.0% of the investment portfolio invested in cash, short-term debtors and creditors and readily realisable securities, which are sufficient to meet any funding commitments that may arise. As at the period end, the Company had no borrowings.

Credit risk

The Directors consider that there is no significant credit risk faced by the Company.

Fair values of financial assets and financial liabilities

Financial assets and liabilities are carried in the balance sheet at either their fair value (investments), or the balance sheet amount is a reasonable approximation of the fair value (amounts due from brokers, dividends receivable, accrued income, due to brokers, accruals, and cash at bank).

Capital disclosures

The Company's objective is to deliver, as far as is consistent with venture capital investment, steady growth in the net asset value of the fund and in total return (net asset value plus cumulative dividends paid). This is unchanged from the previous accounting period except that, over the period from the merger in 2005 until payment of the recommended final dividend in respect of the period ended 31 December 2007, there has been a greater emphasis on the return of cash to shareholders through the payment of dividends (dividend policy for the future is referred to below).

The capital subscribed to the Company by original investors has been managed in accordance with the Company's objectives. The available capital at 31 December 2007 is £37.7 million (28 February 2007: £48.3 million) as shown in the balance sheet, which includes the Company's share capital and reserves.

The Company has indicated that, while the policy of high dividend payout would be maintained in respect of the period to 31 December 2007, future dividends would depend much more on the rate of reinvestment of the liquid resources and the overall performance of the portfolio. It is the Company's policy that, in future, dividends will be dependent to a significant degree on the level of the Company's net income and gains on disposal of investments.

The Board periodically reviews the need for share buy-backs. The purpose of share buy-backs is to satisfy demand from those shareholders who seek to sell their shares, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. The Company may be able to buy back limited volumes of its shares from time to time. However its ability to do so may be constrained by the level of its own liquid resources, VCT specific legislation and the regulations of the UKLA. The Company's current policy in this respect is unchanged from the previous accounting period.

The Company has no borrowings and there are no externally imposed capital requirements other than the minimum statutory share capital requirements for public limited companies.

Notes to the financial statements (cont.)

18 Related party disclosures

Quester Services Limited, (a fellow subsidiary of the Manager) for which APG Holmes acted as a Director until 11 May 2007 and AB Carruthers acted as a Director from that date, is from time to time eligible to receive transaction fees and/or Directors' fees from investee companies. During the period ended 31 December 2007, fees of £39,000 attributable to the investments of the Company were received pursuant to these arrangements (year ended 28 February 2007: £38,000).

Certain Directors and members of their immediate families have undertaken the following transactions in the shares of companies in which Quester VCT plc has invested. These transactions were made on the same terms and conditions as applicable to the Company:

	No. of Directors	Ten months to 31.12.07 £'000	No. of Directors	Twelve months to 28.02.07 £'000
Imagesound plc (purchase)	1	5	-	-
MediGene AG (purchase)	1	10	-	-
Vernalis plc (purchase)	1	6	-	-

19 Co-investment

The Company has made venture capital investments in companies in which other funds managed by SVML have also invested:

For the purpose of this note, the following abbreviations apply:

SPARK Ventures plc – SPK

Quester VCT 4 plc – QVCT 4

Quester VCT 5 plc – QVCT 5

Quester Venture Partnership – QVP

Isis College Fund Limited Partnerships and Second Isis College Fund Limited Partnership – ICF

Lachesis Seed Fund Limited Partnership – Lachesis

Sulis Seedcorn Fund Limited Partnership – Sulis

Company	Co-investors
Academia Networks Limited	SPK, QVCT 5 and ICF
Allergy Therapeutics plc	QVCT 4 and QVCT 5
Antenova Limited	QVCT 4, QVCT 5 and QVP
Anthropics Technology Limited	QVCT 4 and QVP
Arithmatica Limited	QVCT 4, QVCT 5 and QVP
Celldex Therapeutics Inc	QVCT 4, QVCT 5 and QVP
Cluster Seven Limited	QVCT 4, QVCT 5 and QVP
Elaternal Holdings Limited	QVCT 4
Genesis plc	QVCT 4 and QVCT 5
Haemostatix Limited	QVCT 4, QVCT 5, QVP and Lachesis
HTC Healthcare Group plc	QVCT 4 and QVCT 5
Imagesound plc	QVCT 5
Landround plc	QVCT 5
Lectus Therapeutics Limited	QVCT 4, QVCT 5, QVP and Sulis
Level Four Software Limited	QVCT 4, QVCT 5 and QVP
MediGene AG	QVCT 4, QVCT 5, QVP and ICF
Nanofecture Group Limited	QVCT 5, QVP and Sulis
Nomad Payments Limited	QVCT 4 and QVP
Oxonica plc	QVCT 5 and ICF
Pelikon Limited	QVCT 4 and QVCT 5
Perpetuum Limited	QVCT 4, QVCT 5, QVP and Sulis

Company	Co-investors
Phoqus Group plc	QVCT 5
Secerno Limited	QVCT 5 and ICF
Sift Group Limited	QVCT 4
Skinkers Limited	SPK and QVCT 5
Symetrica Limited	QVCT 5 and Sulis
Teraview Limited	QVCT 4
Uniservity Limited	QVCT 4 and QVCT 5
Vivacta Limited	QVCT 4, QVCT 5 and QVP
We7 Limited	QVCT 5
Workshare Limited	QVCT 4, QVCT 5 and QVP

SVML resigned as manager of the Sulis Seedcorn Fund Limited Partnership on 5 October 2007.

20 Post balance sheet events

Subsequent to the year end the Company has not made any new investments in excess of 20% of the equity capital of an investee company or any follow-on investments that would raise the Company's existing stake above 20% of the equity capital of an investee company.

Report of the independent auditor to the members of Quester VCT PLC

We have audited the financial statements (the "financial statements") of Quester VCT plc for the period ended 31 December 2007 which comprise the profit and loss account, balance sheet, cash flow statement, reconciliation of movements in shareholders' funds, and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' responsibility statement.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the business review that is cross referred from the business review section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the statement of corporate governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the financial highlights, Chairman's statement, fund summary, business review, fifteen largest venture capital investments, investment policy, Board of Directors, Directors' report, statement of corporate governance, the unaudited part of the Directors' remuneration report, and Directors' responsibility statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the

accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the period then ended;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
30 April 2008

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of Quester VCT plc (the "Company") will be held at Dartmouth House, 37 Charles Street, London, W1J 5ED at 10:30 a.m. on 18 June 2008 for the following purposes:

As Ordinary Business

As ordinary business, to consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 8 will be proposed as ordinary resolutions and number 9 will be proposed as a special resolution.

- 1** To receive, consider and adopt the annual report and accounts for the period ended 31 December 2007, together with the auditor's report on those accounts and the auditable part of the directors' remuneration report.
- 2** To approve the directors' remuneration report for the period ended 31 December 2007.
- 3** To declare a final dividend of 2.8p per share in respect of the period ended 31 December 2007, payable on 15 October 2008 to shareholders registered at the close of business on 19 September 2008. (As indicated in the Chairman's statement, if shareholders approve the recommended final dividend, the "Tier 1" performance incentive fee will become payable to the Manager at a cost to the Company of £1,040,000).
- 4** To re-elect JD Birney as a Director.
- 5** To elect AB Carruthers as a Director.
- 6** To re-elect TP Sooke as a Director.
- 7** To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the Directors to fix its remuneration.

8 Authority to allot shares

THAT the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Act) up to an aggregate nominal amount of £4,327,336.50 provided that:

- (a) such authority shall expire on the day five years after the date of passing of this resolution;
- (b) notwithstanding paragraph (a) above, this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offer or agreement; and
- (c) all previous authorities under Section 80 of the Act be and they are hereby revoked.

9 Authority for the disapplication of pre-emption rights

THAT, in accordance with Section 95 of the Act, the Directors be and they are hereby empowered to allot equity securities (as defined in Sub-section (2) of Section 94 of the Act) for cash pursuant to the authority conferred on them to allot relevant securities (as defined in Section 80 of the Act) contained in resolution 8 above as if Sub-section (1) of Section 89 of the Act did not apply to the allotment, provided that the power hereby conferred shall be limited to:

- (a) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body in any territory; and

(b) the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value not exceeding £567,266.35; and this power, unless renewed, shall expire at the conclusion of the Annual General Meeting of the Company in 2009 or the date which is fifteen months from the date of this resolution, whichever is the earlier, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

As Special Business

To consider and, if thought fit, to pass the following resolutions which shall be proposed as special resolutions:

10 Authority to change the company name

THAT, subject to the consent of the Registrar of Companies, the name of the Company be changed to "SPARK VCT plc".

11 Authority for the Company to purchase its own shares

THAT the Company be and it is hereby generally and unconditionally authorised for the purposes of Section 166 of the Act to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 5p each in the capital of the Company ("Ordinary Shares") provided that:

- (a) the maximum number of Ordinary Shares authorised to be purchased is 11,345,327;
- (b) the minimum price which may be paid for an Ordinary Share is 5p;
- (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market prices shown in the quotations for an Ordinary Share in the Daily Official List of the UK Listing Authority for the five dealing days immediately preceding the day on which the Ordinary Share is purchased;
- (d) the authority hereby conferred shall expire on the earlier date which is fifteen months from the date of this resolution and the date of the Annual General Meeting of the Company in 2009; and
- (e) the Company may enter into a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which would or might be executed and completed wholly or partly after the expiry of such authority and may make purchases of Ordinary Shares in pursuance of any such contract or contracts.

12 Adoption of new Articles of Association

THAT the existing Articles of Association of the Company be deleted in their entirety and the new Articles of Association produced to the meeting and for the purpose of identification signed by the Chairman of the meeting be adopted in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By order of the Board

Nghi Tran
Secretary

33 Glasshouse Street
London, W1B 5DG
30 April 2008

Notice of annual general meeting (cont.)

Note:

- 1 A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be shareholders of the Company) to exercise all or any of the rights of the shareholders to attend and speak and vote in his/her place.
- 2 To be valid, a form of proxy (as enclosed), duly signed, together with the power of attorney or other authority (if any) under which it is signed (or an office or notarially certified copy of such power or authority) must be lodged at the offices of the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by not later than 10:30 a.m. on 16 June 2008. Completion of a form of proxy will not affect the right of a shareholder to attend and vote at the meeting.
- 3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the register of members of the Company at 10:30 a.m. on 16 June 2008 will be entitled to attend and vote at the aforesaid meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned, the time by which a person must be entered in the register of members in order to have the right to attend or vote at the adjourned meeting is 10:30 a.m. on the day preceding the date fixed for the adjourned meeting. Changes to entries in the register after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- 4 Copies of Directors' service contracts are available for inspection at the Company's registered office, 33 Glasshouse Street, London, W1B 5DG, during normal business hours (public holidays excluded) and will be made available for inspection at the place of the Annual General Meeting for 30 minutes prior to and during the meeting. In addition, a copy of the new Articles of Association and the existing Articles of Association marked to show the changes being proposed by resolution 12 will be available for inspection at 33 Glasshouse Street, London, W1B 5DG.
- 5 In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant holding.

Contacts

Directors

Jock Birney, Chairman
Andrew Carruthers
Andrew Holmes
Tom Sooke
Christopher Wright

Secretary

Nghi Tran

Registered office

33 Glasshouse Street
London W1B 5DG
(Registered in England, No 3139019)

Manager

SPARK Venture Management Limited
33 Glasshouse Street
London W1B 5DG

Stockbroker

Noble & Company Limited
120 Broad Street
London EC2N 1AR
Tel: 020 7763 2321

Solicitors

Travers Smith
10 Snow Hill
London EC1A 2AL

Auditor and VCT tax adviser

Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
30 Finsbury Square
London EC2P 2YU

Quoted and fixed interest investment adviser

OLIM Limited
Pollen House
10-12 Cork Street
London W1S 3NP

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA
Tel: 0871 664 0300
(Calls to Capita Registrars cost 10p
per minute plus network extras)

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5PP

The Royal Bank of Scotland

280 Bishopsgate
London EC2M 4RB

Shareholder information

Annual General Meeting

10:30 a.m. on 18 June 2008

The notice of Annual General Meeting is contained in this report. A proxy form is enclosed with this circular. To be valid, completed proxy forms should be returned to the Company's registrars, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, no later than 10:30 a.m. on 16 June 2008.

Dividend

The directors have recommended a final dividend of 2.8p per share in respect of the year ending 31 December 2007.

Payment date	15 October 2008
Ex-dividend date	17 September 2008
Associated record date	19 September 2008

As indicated in the Chairman's statement, upon approval by shareholders of the recommended final dividend, the "Tier 1" performance incentive fee will become payable to the Manager at a cost to the Company of £1,040,000.

Shareholders should note that the dividend reinvestment scheme operated by the Company has been withdrawn. The Finance Acts 2006 and 2007 set out new regulations relating to the investment of new capital raised, which extended to dividend reinvestment schemes. The regulations levy an undue administrative burden on the operation of such schemes and the Board resolved to discontinue the scheme.

Share price and net asset value announcements

The Company's ordinary shares are listed on the London Stock Exchange. The mid-market price of shares in Quester VCT plc is reported daily in the Financial Times in the Investment Companies section of the London Share Service. Share price information can also be obtained from many financial websites. Estimates of the Company's current net asset value are reported on certain days in the Financial Times. These estimates are not provided by the Manager.

The Company generally announces changes in its net asset value on a quarterly basis. However, no announcements will be made in respect of year end net asset values until the audited results are available. Half year and quarterly net asset value announcements will generally not be made until the internal valuation process for the unquoted investments has been completed. No other announcements regarding changes in the net asset value will be made unless material and/or required under UKLA rules.

Share buy-backs

There is a very limited secondary market for shares in Venture Capital Trusts generally. The Company may be able to buy-back limited volumes of its shares from time to time. However, its ability to do so is, or may be, constrained by the level of its own liquid resources, VCT specific legislation and the regulations of the UKLA. Shareholders seeking to sell their shares should contact the Company's stockbroker, Noble & Company Limited (see page 51 for details).

Eligible shareholders are reminded that a sale of their shareholding in Quester VCT plc may give rise to the loss of any capital gains tax deferral granted at the time of their original subscription.

Notification of change of shareholder details

Communications with shareholders are mailed to the registered address held by Capita Registrars, the Company's registrar. In the event of a change of address or other amendment, this should be notified to Capita Registrars under the signature of the registered holder.

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars.

Investor relations

Shareholders may view details of their shareholdings online. The service may be accessed from the Investor Relations section of the SPARK website, www.sparkventures.com.

If shareholders have any questions or comments about their investment, please contact SPARK:

Tel: 0207 851 7777 Email: contact@sparkventures.com

In addition, the Board is always pleased to respond to any written shareholder queries, which should be sent to the Company's registered office.



33 Glasshouse Street
London W1B 5DG

Tel: +44 (0)20 7851 7777
Fax: +44 (0)20 7851 7770

contact@sparkventures.com
www.sparkventures.com