SPARK
VCT PLC

Annual Report 2008

About **SPARK VCT plc**

The objective of SPARK VCT plc, formerly Quester 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 SPARK VCT plc, as an approved Venture Capital Trust, are tax free to eligible shareholders, which substantially enhances the effective returns to shareholders.

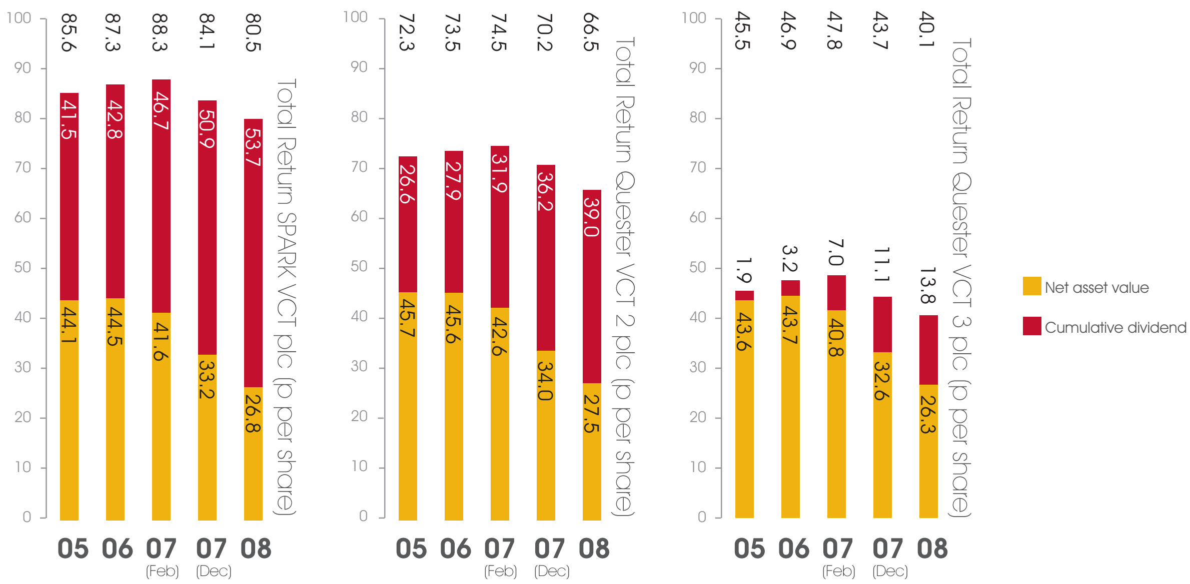
Investment in a Venture Capital Trust should be viewed as a high risk, long-term investment. Eligible shareholders are reminded that a sale of their shareholding in SPARK VCT plc may give rise to a loss of any capital gains tax deferral granted at the time of their original subscription.

Financial highlights as at 31 December 2008

Per ordinary share (pence)	31.12.08	31.12.07	28.02.07
Net asset value	26.8	33.2	41.6
Dividends			
Dividend paid (1)	2.8	4.2	3.9
Cumulative dividend (2)	53.7	50.9	46.7
Total return (3)			
SPARK VCT plc	80.5	84.1	88.3
Return including tax benefits (6)	100.5	104.1	108.3
Total return to former shareholders of:			
Quester VCT 2 plc, per 100p invested in shares of that company (4)	66.5	70.2	74.5
Return including tax benefits (6)	86.5	90.2	94.5
Quester VCT 3 plc, per 100p invested in shares of that company (5)	40.1	43.7	47.8
Return including tax benefits (6)	60.1	63.7	67.8

(1) Dividend paid in the financial period ended on the date stated
(2) Cumulative dividends paid by SPARK VCT plc
(3) Net asset value plus cumulative dividend per share to original shareholders in SPARK VCT plc since the launch of the Company (then called Quester VCT plc) in April 1996
(4) Total return to former shareholders in Quester VCT 2 plc, launched in March 1998, which merged with SPARK VCT plc (then called Quester VCT plc) in June 2005, the share exchange ratio for former shareholders in Quester VCT 2 plc being 1.0249
(5) Total return to former shareholders in Quester VCT 3 plc, launched in February 2000, which merged with SPARK VCT plc (then called Quester VCT plc) in June 2005, the share exchange ratio for former shareholders in Quester VCT 3 plc being 0.9816
(6) Return after 20% income tax relief but excluding capital gains deferral

The directors do not propose a dividend for the year ended 31 December 2008.



Composition of the fund by value	31.12.08
Unquoted venture capital investments	60.1%
Quoted venture capital investments	2.0%
Listed fixed interest investments	9.8%
Cash and other net current assets	28.1%
Total	**100.0%**

Chairman's statement

Results for the year

The movement in net assets is summarised in the table below:

	Venture capital investments £'000	Bonds, equities and net current assets £'000	Total £'000	Pence per share
Net asset value at 31 December 2007	**25,634**	**12,042**	**37,676**	**33.2**
Net gains/(losses) on disposal	728	(1,020)	(292)	(0.2)
Income net of operating expenses	–	(43)	(43)	–
Net (loss)/gain on revaluation of investments	(2,888)	26	(2,862)	(2.6)
Net investment	(5,039)	5,039	–	–
Net assets before dividends and share buy-backs	**18,435**	**16,044**	**34,479**	**30.4**
Dividend and incentive fee paid	–	(4,175)	(4,175)	(3.7)
Share buy-backs	–	(573)	(573)	0.1
Net asset value at 31 December 2008	**18,435**	**11,296**	**29,731**	**26.8**

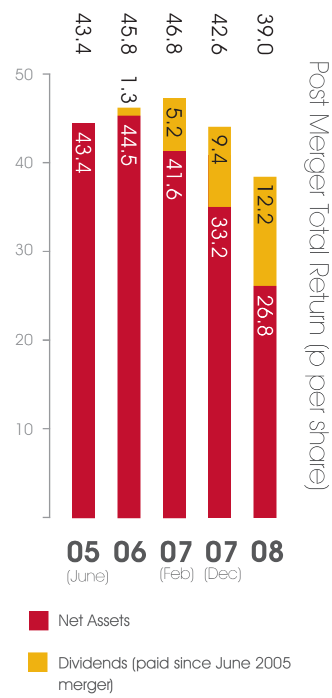
The managed portfolio before the effect of dividends and buy-backs showed a reduction of £3.2 million, or 2.8p per share. The principal movements consisted of net write-downs on the venture capital portfolio of £2.9 million and the loss on disposal of the listed portfolio of FTSE equities of £1.0 million. The reduction in value of the venture capital portfolio was concentrated in the main amongst the second tier early stage and developing companies, rather than the more mature and larger companies. It was offset by realised gains of £0.7 million. While the loss on the equity portfolio was disappointing, the decision to sell proved fortunate in light of the crash which followed soon thereafter. £3.3 million was invested in the venture capital portfolio split broadly between new and follow-on investments.

In very uncertain markets, the overall performance of the portfolio was satisfactory. The Manager encouraged investee companies to live within their cash resources and has been similarly prudent in only providing follow-on funding to investments which show real promise. In fact, a substantial proportion of the portfolio consists of relatively mature companies, a small number of which might have been sold if there had been exit opportunities.

The environment for funding and disposals continues to show no sign of improving in the short term.

The dividend approved by shareholders last year amounted to 2.8p per share (£3.1 million). It triggered a payment of £1.0 million (0.9p) to the Manager under the incentive scheme at that time. The Board's decision to recommend this dividend was driven by the dividend pay-out policy which was central to your Board's new policy at the time of the merger in 2005. The incentive scheme was put in place to motivate the Manager to free up funds for a payout. £23.6 million was realised. The Board concluded last year that the basic intent of the agreement was that the Manager should be rewarded if funds were released. Nevertheless, conscious that the shareholders should decide, the Board drew all of the relevant factors clearly to their attention, not only in the Annual Report but within the text of the resolution on the proxy form. Shareholders voted for the dividend payment by 81.6% and 12.8% votes against in full knowledge of the facts. Dividends of £14.3 million (12.2p per share) have been paid since 2005 compared to none in the preceding 5 years.

The table demonstrates that total return since June 2005 shows a drop of only 4.5p per share or 10.4%, of which 3.7p (8.5%) occurred in 2008. While it is disappointing to see a fall, it is smaller than delivered by many other investment classes over that 3½ year period, or the last 12 months. Unquoted early stage and technology driven companies are not necessarily driven by the same financial or economic factors which have overshadowed some other investments recently. The underlying growth in the companies is evident in the Business review and can deliver value.



The Board

Following the successful transition of the management of your company from Quester to SPARK, the Board has decided that it is the right time to revitalise its membership, particularly as some have been on this Board and predecessor Boards for over 10 years.

Robin Field joined the Board in January 2009. He is well versed in VCTs, has experience of companies in SPARK's space and is well accustomed to the governance of listed companies. Subject to your agreement, it is proposed he become Chairman at the Annual General Meeting. Tom Sooke, Christopher Wright and I will not be putting ourselves up for re-election. You are fortunate to have three new excellent candidates including David Adams who has a deep experience of the VCT sector and Greg Lockwood who has spent many years investing in early stage technology companies, both of whom have joined the Board in March 2009 and will be up for election at the AGM.

The Board is grateful to Tom Sooke and Christopher Wright for their contribution to the Board's strategy and their diligent attention to all aspects of your Company's affairs over a good number of years.

Dividend and Outlook

The Board is conserving cash resources to follow good investments and take opportunities for new investment to build a valuable portfolio. Profits have not been generated in this year. No dividend is proposed. In addition, the Board will carefully consider whether resources are sufficient to make share buy-backs.

Success in early stage investing depends on having a spread of opportunities to develop significant businesses, a few of which can drive the returns shareholders are expecting. The mature investments need to be sold when good prices can be obtained, to produce the resources to create that spread. Meanwhile, prices for new investments are beginning to look attractive and when cash is released from the portfolio it can be put to work to achieve attractive returns.

Meanwhile, solid progress can be obtained by the investee companies in their own markets, within the cash resources available to them and with the support of the Manager.

Jock Birney
Chairman
9 April 2009

Fund summary as at 31 December 2008

	Industry sector	Cost [(1)] £'000	Valuation £'000	Equity % held	% of fund by value
Fifteen largest venture capital investments					
Sift Group Limited	TMT	2,395	2,249	20.2%	7.6%
Imagesound plc	TMT	2,848	1,920	11.8%	6.5%
Elateral Holdings Limited	TMT	1,009	1,783	24.3%	6.0%
Vivacta Limited	Healthcare	1,067	1,336	8.5%	4.5%
Cluster Seven Limited	TMT	1,569	1,197	9.0%	4.0%
UniServity Limited	TMT	1,000	1,000	16.5%	3.4%
Isango! Limited	TMT	1,000	1,000	2.3%	3.4%
Skinkers Limited	TMT	1,056	970	5.6%	3.3%
Workshare Limited	TMT	695	909	1.9%	3.1%
Level Four Software Limited	TMT	855	855	5.1%	2.9%
We7 Limited	TMT	816	816	10.0%	2.7%
Secerno Limited	TMT	978	688	8.3%	2.3%
Perpetuum Limited	TMT	686	585	7.0%	2.0%
Community Internet Europe Limited	TMT	327	510	22.5%	1.7%
Haemostatix Limited	Healthcare	502	502	10.6%	1.7%
		16,803	16,320		55.1%
Other venture capital investments					
Antenova Limited	TMT	1,307	495	4.7%	1.7%
Lab M Holdings Limited (formerly IDG) [(2)]	Healthcare	690	440	23.9%	1.5%
Gemini Holdings Limited	Healthcare	455	228	12.8%	0.8%
MediGene AG *FRANKFURT*	Healthcare	316	202	0.1%	0.7%
Celldex Therapeutics, Inc. *NASDAQ*	Healthcare	625	135	0.2%	0.5%
Oxonica plc *AIM*	Healthcare	204	127	1.5%	0.4%
Artisan Software Tools Limited [(2)]	TMT	120	120	23.4%	0.4%
TeraView Limited	Healthcare	1,172	100	5.4%	0.3%
Other investments: valuations less than £100,000 [(2)]		1,629	268		0.7%
		6,518	2,115		7.0%
Total venture capital investments		**23,321**	**18,435**		**62.1%**
Total unquoted venture capital investments		21,313	17,839		60.1%
Total quoted venture capital investments		2,008	596		2.0%
		23,321	18,435		62.1%
Listed fixed interest investments		2,854	2,898		9.8%
Total investments		**26,175**	**21,333**		**71.9%**
Cash and other net assets		8,398	8,398		28.1%
Net assets		**34,573**	**29,731**		**100.0%**

(1) Amounts shown as cost represent the original cost to the Company and/or the valuation attributed to the investment at the date of the merger in 2005, plus any 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 twelve months to 31 December 2008 are set out in note 11(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. This Business review does not contain information about environmental matters, the Company's employees and social and community issues. The investment policy is set out on page 15.

Portfolio update and overview

Recent months have seen a great deal of activity on the part of members of the SPARK management team in working with the portfolio companies, preparing them for the increasingly difficult financial and economic climate. This work has built on the new team's detailed review of the portfolio referred to last year, which included classifying the companies according to their potential to deliver capital growth, and most importantly identifying those that are key to producing a good return for the whole portfolio, which has informed all of the SPARK team's subsequent decision-making.

Team members have been particularly focused on cost control and rates of cash burn, against the background of the risk of slower than expected revenue growth and the reduced availability of venture capital finance. At the same time, there has been an emphasis on working with CEOs on strategic reviews and the promotion of growth opportunities.

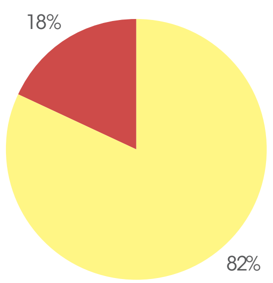
Present conditions in the private equity and venture capital markets make the raising of additional finance for portfolio companies more difficult and have delayed opportunities for exits and depressed prices. For companies that are addressing new markets, which are growing on the back of new technologies or services, the general decline in sentiment in the financial markets does not necessarily have a direct effect on business growth. The earlier-stage companies are, however, potentially vulnerable to commercial setbacks, such as delays in the award of key customer contracts.

The SPARK management team's current assessment of the prospects for individual portfolio companies is that returns are probably looking more vulnerable, and certainly more delayed than indicated 12 months ago. We now expect the bulk of the realisations of the key portfolio companies to be concentrated in 2011 at the earliest.

Fund summary

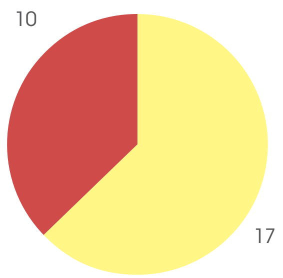
The Fund summary on page 4 lists the venture capital investments held by the Company at 31 December 2008 with their cost and valuation at that date. The 15 largest venture capital investments held at 31 December 2008 collectively account for 55.1% of the net assets at the balance sheet date; further details of these investments are given on pages 11 to 14. Highlights of a number of key developments in the portfolio are set out under "Portfolio progress" below.

The charts below show the composition of the venture capital investment portfolio at 31 December 2008 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:



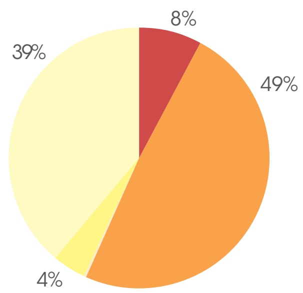
Sector analysis (value)

- Healthcare
- TMT



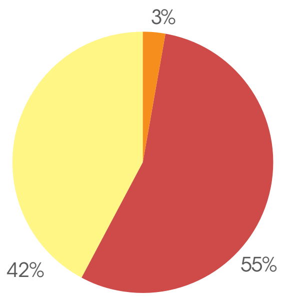
Sector analysis (number)

- Healthcare
- TMT



Age of investment

- Up to 1 year
- 1-3 years
- 4-5 years
- 6-7 years
- Over 7 years



Quoted/unquoted/stage

- Unquoted early stage
- Unquoted development stage
- Quoted

Business review (cont.)

Portfolio progress

The venture capital portfolio of the Company is well balanced between investments in companies at development stage (42% of the total) and companies at early stage (55% of the total). The top three investments in the portfolio are all in development stage companies and together account for 20.1% of net assets at 31 December 2008. All three have demonstrated satisfactory business progress over the year, growing top-line revenues by between 7% and 40% (**Sift Group Limited** +20%, **Imagesound plc** +7%, **Elateral Holdings Limited** +40%). Additionally, over the last 12 months, the development of the early stage companies which have been held in the portfolio for some time and are now in revenue generation has been positive with encouraging growth, albeit generally from a small base (examples of year-on-year revenue growth in the TMT sector include **Antenova Limited** +85%; **UniServity Limited** +62%; and in life sciences **Celldex Therapeutics, Inc.** +173%, **MediGene AG** +37%).

In the healthcare sector, the two key companies which are still at the stage of scientific development (**Vivacta Limited** and **Haemostatix Limited**) have largely met the milestones set for them over 2008. In the same sector, however, we have been disappointed in the performance of one other unquoted company and by a couple of the quoted investments.

As noted above, recent months have seen a great deal of activity on the part of members of the SPARK team in working with the portfolio companies, preparing them for the increasingly difficult financial and economic climate. Team members have been particularly focused on cost control and rates of cash burn. At the same time, there has been an emphasis on working with CEOs on strategic reviews and the promotion of growth opportunities.

The extent of the activity of SPARK management team members is illustrated by the fact that, during 2008 and in the current year to date, in relation to the Fund's top 15 venture capital investments, action has been taken in 10 cases to ensure a reduction in the investee company's cost base, in nine cases additional venture capital funding has been raised and in seven cases significant management changes have been made (including a change in the CEO in five cases and the appointment of a new chairman in five cases).

Highlights of specific business achievements during the year from among the largest venture capital investments are as follows:

- **Sift Group Limited:** After a difficult trading year in 2007, Sift delivered a strong 20% top-line growth in 2008, along with a marked improvement in profitability despite challenging market conditions. Whilst these challenges remain in 2009, Sift will be looking to take advantage of dislocation in the trade publication market to further strengthen its position.

- **Imagesound plc:** Imagesound took the decision to de-list from AIM in May 2008 as a result of the detrimental effect that the illiquidity of its stock in that market was having on the company's ability to develop the business and work towards an exit for its investors. During the year, many of the company's retail clients have suffered from the dramatic deterioration in consumer confidence and spending. Nevertheless, Imagesound was able to pick up sufficient new business in the fourth quarter of 2008 to deliver a respectable growth in top-line revenues of 7% for the year.

- **Elateral Holdings Limited:** Elateral is a global leader in brand asset management software. In the early part of the year, the company was a victim of the sentiment change in markets when an acquisition offer was withdrawn by a private equity buyer on account of market turmoil. For 2008 as a whole, Elateral reported top-line revenue growth of 40% and announced a number of significant client wins including Autodesk, NetApp and Toyota. The company was also able to renew and extend its relationship with existing blue chip clients, including Cisco which entered into its ninth year of usage of the product.

- **Vivacta Limited:** Vivacta is a diagnostics company developing instrumentation and cartridges for point-of-care tests. The company has achieved its technical targets for its first test. The process of scale-up and manufacturing is underway. It is beginning commercial discussions with a view to licensing its technology.

- **Cluster Seven Limited:** Cluster Seven is the leading provider of spreadsheet management solutions; its product Enterprise Spreadsheet Manager targets the needs of financial institutions and Fortune 500 financial reporting groups, and addresses gaps in existing risk management and compliance solutions. During 2008 the business suffered from the well known uncertainty and turbulence in the financial services industry; nevertheless, the software is now installed in more than 20 tier one customers and greater emphasis on regulation and compliance is not only expanding the range of applications for the product, but also opening the possibility of selling Cluster Seven's solution as an integrated service for users of broad enterprise solutions.

- **UniServity Limited:** UniServity markets a web-based collaborative learning environment for schools. It has achieved considerable success in winning contracts with Local Education Authorities in the UK and is beginning to make progress also in international markets. In November 2008 it announced a major step towards breaking into the Chinese market through a strategic partnership brokered by SPARK Venture Management Limited with the Chinese publishing and media company Time Media Co. Under the terms of the framework agreement, Time Media will launch and promote UniServity's highly successful web-based learning platform to schools throughout mainland China.

- **Isango! Limited:** is an early stage online travel website company offering users an authoritative source of travel experiences such as holiday tours, sightseeing, attractions and activities in more than 50 countries across the world. Since the investment was completed in the first quarter of the year, Isango! has been impacted by the downturn but has continued to develop its partnership strategy and recently became the exclusive partner of Accor Hotels and TravelSupermarket.com for tours and activities.
- **Skinkers Limited:** a software company delivering information broadcast solutions to large enterprises, has completed the development of the Live Notification Platform, an industry leading push communications platform, and started winning its first clients. The downturn in the financial services sector has impacted the sales cycle; however the company has recently won accounts with MBNA and Capital One and has a good sales pipeline. The application for MBNA is a new online secure delivery service and was recently selected as the "Best Online Initiative" by the credit card industry.
- **Workshare Limited:** Workshare, the global leader in content protection and control solutions for secure information management, recently announced that more than 11,000 companies now use its latest software product Workshare Professional. Workshare remains the de facto standard for comparison technology with over 78% of users of its earlier DeltaView product now migrated to the improved comparison technology and the remaining 22% expected to switch. Workshare added 3,000 new customers in 2008, and can now count 99% of the top 200 US law firms as customers.
- **Level Four Software Limited:** Level Four is the leading independent vendor of automated testing solutions for banks' networks of automated teller machines (ATMs). Based in Dunfermline, Scotland, the company serves a global client base of tier one banks and processors through offices in Dubai and Charlotte, North Carolina. The company has continued to grow over the last 12 months with notable new client wins including Barclays Bank, HBOS and National Bank of Kuwait.

New investments

During the year under review, the pace of new investment was constrained by the existing level of cash resources and the currently poor visibility on the generation of cash proceeds from realisations. Two new investments were completed, one in the TMT (technology, media and telecoms) sector and one in healthcare, as follows:

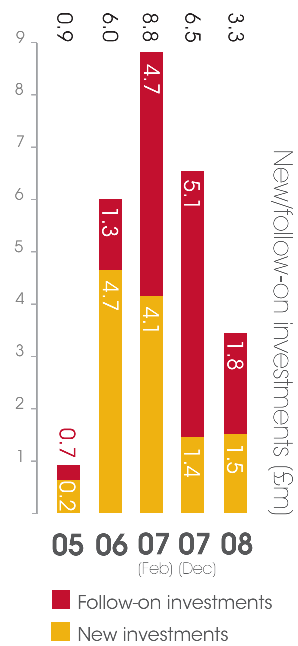
Company	Sector	£'000
Unquoted companies:		
Gemini Holdings Limited	Healthcare	455
Isango! Limited	TMT	1,000
		1,455

Information on **Isango! Limited**, the investment in which was completed in the first quarter of 2008, has been provided in the previous section.

Gemini Holdings Limited is the holding company of Gemini Biomedical Limited, a specialist healthcare screening company which provides medical screening services to life insurance companies and underwriters. Gemini's service is provided through a network of pharmacies contracted to Gemini and easily accessed by applicants. Its GemTrack software enables capture of the comprehensive screening data required for timely and accurate underwriting of policies.

The selection of these two new investments was in line with the indications given in last year's Business review, namely that the programme of new investment should be expected to include (a) within the TMT sector, a greater emphasis on opportunities in the digital media and software applications sectors and a reduced exposure to 'hardware' investments and (b) in healthcare, a reduced exposure to drug discovery and a greater emphasis on other areas.

The early progress of Gemini Holdings Limited, since the investment was completed in the third quarter of 2008, has been disappointing and slower than had been expected. The company is receiving close attention from members of the SPARK management team, with fresh milestones being set for the progress expected over the coming months.



Follow-on investments

The year to 31 December 2008 saw continued investment in a number of key companies in the portfolio, although at a reduced rate compared with 2007, as summarised in the table below:

Company	Sector	£'000
Follow-on rounds in unquoted companies:		
Antenova Limited	TMT	173
Cluster Seven Limited	TMT	372
Haemostatix Limited	Healthcare	255
Level Four Software Limited	TMT	130
Secerno Limited	TMT	532
We7 Limited	TMT	142
Other companies (3)		128
		1,732
Bridge finance ahead of planned realisation:		
Arithmatica Limited	TMT	112
		112
		1,844

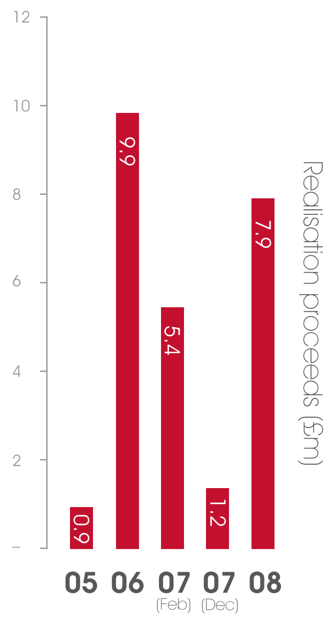
Among the companies receiving the most significant amounts of follow-on finance, **Antenova Limited** grew top-line revenues by 85% and demonstrated satisfactory progress in winning more profitable business, but in consequence required additional working capital to maintain adequate stock levels. The terms of the funding round completed in the fourth quarter of 2008 were inevitably less attractive than would have been expected earlier, but by participating in the round at a level more than pro-rata to its previous holding, the Company took advantage of these terms to enhance its position in the investment. Two other long-established portfolio companies in the TMT sector received additional support: an additional £372,000 was advanced as loan finance to **Cluster Seven Limited**, the specialist provider of spreadsheet management software, and £130,000 to **Level Four Software Limited**, which specialises in the provision of ATM software solutions. **Secerno Limited**, which specialises in the supply of software and appliances to protect against internal and external threats to databases, was successful in concluding in July 2008 a US$16 million financing led by Amadeus Capital Partners with participation by the SPARK-managed funds including £532,000 from the Company. **We7 Limited**, the free to user, advertisement-funded online music service founded with musician Peter Gabriel, completed a £2.5m additional financing led by Eden Ventures in December 2008 with the Company adding £142,000 to its earlier investment.

In the healthcare sector, a follow-on investment of £255,000 was made in **Haemostatix Limited**, the early stage company focused on platelet replacement therapies: this followed good early scientific results and a decision to accelerate the rate of development of the company.

Realisations

In the Business review for the period ended 31 December 2007, details were given of the successful exit from Nomad Payments Limited in January 2008, in a transaction which realised £7,263,000 (with £5,888,000 received in cash and £1,375,000 currently being held in escrow).

In the healthcare sector, the share price of MediGene AG improved over the first half of the year and the opportunity was taken to sell part of this holding.



Valuation changes

The valuations of the unquoted investments in the portfolio have been reviewed as at 31 December 2008 on the basis of the International Private Equity and Venture Capital Valuation Guidelines, having regard mainly to (i) prices of recent financing rounds and/or the terms of financing rounds expected within the next 12 months, (referred to on pages 11 to 14 as "price of investment round"), (ii) earnings multiples, and (iii) industry valuation benchmarks and/or M&A valuation criteria (referred to on pages 11 to 14 as "industry valuation benchmarks"). In a number of cases (Arithmatica Limited, Gemini Holdings Limited, Perpetuum Limited, TeraView Limited) the write-down reflects disappointing business progress by the investee company, but in the main the valuation changes parallel the reductions that are being seen in the valuations of financial assets generally.

Total revaluations in respect of venture capital investments amounted to a write-down of £1,929,000 of which £1,616,000 related to unquoted investments and £313,000 to quoted investments.

Unquoted venture capital investments

During the year ended 31 December 2008, in respect of unquoted investments, the review has resulted in a reduction in valuation of £1,616,000, net of gains totalling £1,171,000:

Company	£'000
Antenova Limited	(442)
Arithmatica Limited	(236)
Cluster Seven Limited	(371)
Community Internet Europe Limited	183
Elateral Holdings Limited	774
Lab M Holdings Limited (formerly IDG)	(250)
Gemini Holdings Limited	(228)
Perpetuum Limited	(195)
TeraView Limited	(727)
Workshare Limited	214
Others (4)	(338)
	(1,616)

Quoted venture capital investments

Market movements during the year ended 31 December 2008 resulted in a net reduction in valuation of £313,000.

Company	£'000
Allergy Therapeutics plc *AIM*	(239)
Celldex Therapeutics, Inc. *NASDAQ*	65
Oxonica plc *AIM*	(107)
Others (2)	(32)
	(313)

Listed equity and bond portfolio

The valuation of the listed equity portfolio fell by £685,000 over the first half of the year. In mid-July 2008 the entire portfolio of listed equities was sold (at a level somewhat below the valuation at 30 June 2008, bringing the loss in this portfolio to £1,020,000) in order to protect against the possibility of further declines in stock markets and ensure the availability of liquidity to fund necessary follow-on investments and the operations of the Company. In the event, despite crystalising a loss, this strategy has proved to have been the correct one, as the value of the portfolio would otherwise have declined by another £1.6 million as at the date of this report.

Outlook

The turmoil in capital markets and the increasingly constrained resources of the Company are now making it more difficult to make confident predictions for the overall outcome in terms of both valuations and timing of exits. Nevertheless, there was good growth over the last year, by and large, and many of the companies have adapted quickly to the changing market.

The early stage of many of the investments means that a considerable degree of involvement by members of the SPARK management team in individual portfolio companies will continue to be required for a number of years ahead.

On the assumption of successful progress of the key investments, investors should now expect that the bulk of the distributions of realisation proceeds will occur no earlier than 2011.

SPARK Venture Management Limited
Manager
9 April 2009

Fifteen largest venture capital investments

Sift Group Limited

Cost	£2,395,000
Valuation	£2,249,000
Basis of valuation	Industry valuation benchmark
Equity held	20.2%
Location	Bristol, UK
Business	Web content management system provider
History	Development capital, Quester co-led, 1999
Co-investment	SPARK VCT 2 plc

Audited financial information Year ended 31/12	2007 £'m	2006 £'m
Sales	5.9	5.9
(Loss)/profit before tax	(0.3)	0.1
(Loss)/profit after tax	(0.3)	0.1
Net assets	**0.1**	**0.4**

Elateral Holdings Limited

Cost	£1,009,000
Valuation	£1,783,000
Basis of valuation	Adjusted earnings multiple
Equity held	24.3%
Location	Farnham, UK
Business	Web based marketing automation service developer
History	Quester joined an expansion round in 1999, post 3i seed funding
Co-investment	SPARK VCT 2 plc

Audited financial information Year ended 31/3	2008 £'m	2007 £'m
Sales	3.6	2.4
Profit before tax	0.3	0.1
Profit after tax	0.3	0.1
Net liabilities	**(0.7)**	**(0.9)**

Imagesound plc

Cost	£2,848,000
Valuation	£1,920,000
Basis of valuation	Adjusted earnings multiple
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	SPARK VCT 2 plc

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**

Vivacta Limited

Cost	£1,067,000
Valuation	£1,336,000
Basis of valuation	Price of investment 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 Venture Partnership and SPARK VCT 2 plc

Audited financial information Year ended 31/7	2008 £'m	2007 £'m
Sales	–	–
Loss before tax	(3.2)	(2.4)
Loss after tax	(2.8)	(2.4)
Net assets	**5.8**	**2.5**

Fifteen largest venture capital investments (cont.)

Cluster Seven Limited

Cost	£1,569,000
Valuation	£1,197,000
Basis of valuation	Industry valuation benchmark
Equity held	9.0%
Location	London, UK
Business	Spreadsheet management software, risk/control/compliance
History	Quester investment in 2005 institutional round, early stage
Co-investment	Quester Venture Partnership and SPARK VCT 2 plc

Audited financial information Year ended 31/12	2007 £'m	2006 £'m
Sales	2.3	2.9
Loss before tax	(2.1)	(1.2)
Loss after tax	(2.1)	(1.2)
Net (liabilities)/assets	**(1.8)**	**0.7**

Isango! Limited

Cost	£1,000,000
Valuation	£1,000,000
Basis of valuation	Price of investment round
Equity held	2.3%
Location	London, UK
Business	Global aggregator of travel experiences
History	Initial investment made in 2008, early stage
Co-investment	SPARK Ventures plc and SPARK VCT 2 plc

Audited financial information Year ended 31/1	2008 £'m	2007 £'m
Sales	0.4	–
Loss before tax	(0.9)	(0.6)
Loss after tax	(0.9)	(0.6)
Net liabilities	**(0.5)**	**(0.4)**

UniServity Limited

Cost	£1,000,000
Valuation	£1,000,000
Basis of valuation	Price of investment round
Equity held	16.5%
Location	Reading, UK
Business	Learning platform solution provider for school community collaboration
History	Early stage investment in 2007, including stock from angel investors
Co-investment	SPARK VCT 2 plc

Audited financial information Year ended 31/7	2007 £'m	2006 £'m
Net assets/(liabilities)	**0.9**	**(0.5)**

Skinkers Limited

Cost	£1,056,000
Valuation	£970,000
Basis of valuation	Price of investment round
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 SPARK VCT 2 plc

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**

Workshare Limited

Cost	£695,000
Valuation	£909,000
Basis of valuation	Industry valuation benchmark
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 Venture Partnership and SPARK VCT 2 plc

Audited financial information Year ended 31/3	2008 $'m	2007 $'m
Sales	23.8	23.2
Loss before tax	(8.3)	(3.6)
Loss after tax	(8.3)	(3.6)
Net (liabilities)/assets	**(0.3)**	**9.5**

We7 Limited

Cost	£816,000
Valuation	£816,000
Basis of valuation	Price of investment round
Equity held	10.0%
Location	Oxford, UK
Business	Advert supported free legal content music download website
History	Early stage investment made in January 2007
Co-investment	SPARK VCT 2 plc

Audited financial information Year ended 31/12	2007 £'m
Sales	–
Loss before tax	(1.5)
Loss after tax	(1.5)
Net liabilities	**(0.3)**

Level Four Software Limited

Cost	£855,000
Valuation	£855,000
Basis of valuation	Price of investment round
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 Venture Partnership and SPARK VCT 2 plc

Audited financial information Year ended 30/6	2008 £'m	2007 £'m
Sales	1.8	1.6
Loss before tax	(0.8)	(1.4)
Loss after tax	(0.8)	(1.4)
Net liabilities	**(2.9)**	**(2.2)**

Secerno Limited

Cost	£978,000
Valuation	£688,000
Basis of valuation	Price of investment round
Equity held	8.3%
Location	Oxford, UK
Business	Software for database security and activity monitoring
History	Initial investment by Isis in 2005 VCTs joined in 2006
Co-investment	Isis College Fund Limited Partnerships and SPARK VCT 2 plc

Audited financial information Year ended 31/12	2007 £'m	2006 £'m
Net (liabilities)/assets	**(1.0)**	**1.5**

Fifteen largest venture capital investments (cont.)

Perpetuum Limited

Cost	£686,000
Valuation	£585,000
Basis of valuation	Industry valuation benchmark
Equity held	7.0%
Location	Southampton, UK
Business	Solutions for self-powered, wireless sensor systems
History	Invested in 2006 funding round, seed funding by Sulis in 2004
Co-investment	Quester Venture Partnership and SPARK VCT 2 plc

Audited financial information Year ended 31/12	2007 £'m	2006 £'m
Net assets	**4.5**	**1.5**

Haemostatix Limited

Cost	£502,000
Valuation	£502,000
Basis of valuation	Price of investment round
Equity held	10.6%
Location	Leicester, UK
Business	Platelet replacement therapies for clotting disorders
History	Lachesis originally invested in 2002 Quester followed in 2005
Co-investment	Lachesis, Quester Venture Partnership and SPARK VCT 2 plc

Audited financial information Year ended 31/3	2008 £'m	2007 £'m
Net liabilities	**(1.3)**	**(0.8)**

Community Internet Europe Limited

Cost	£327,000
Valuation	£510,000
Basis of valuation	Industry valuation benchmark
Equity held	22.5%
Location	Kidlington, UK
Business	Secure internet service provider
History	Invested in 2000 funding round
Co-investment	–

Audited financial information Year ended 31/3	2008 £'m	2007 £'m
Sales	5.9	4.6
Profit/(loss) before tax	0.3	(0.2)
Profit/(loss) after tax	0.2	(0.2)
Net liabilities	**(0.2)**	**(0.4)**

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 Canopius, a management buy out of a Lloyd's business.

David Adams has over 25 years of experience as a corporate lawyer, including 19 years as a corporate partner at leading London law firm, Travers Smith, acting predominantly for small to mid cap UK and overseas quoted companies and UK financial intermediaries and advising on mergers and acquisitions, fund raising and other corporate transactions. David retired from the legal profession in June 2006 and now acts as an independent consultant providing strategic and transaction advice. He is currently the non-executive chairman of a private property company. David joined the Board on 30 March 2009 and will be proposed for election at the forthcoming AGM.

Andrew Carruthers is chief executive officer of SPARK Ventures plc, which acquired the Quester management company in May 2007. Andrew is a Director of Celona, DEM, Antenova and Uniservity, leading SPARK Venture Management Ltd's active participation in the development of these companies. Over recent years he has led the sale of Footfall to Experian and the sale of Pricerunner to Valueclick. 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. Andrew is a director of SPARK Venture Management Limited.

Robin Field began his commercial career with Jardine Matheson & Co. in the Far East where he fulfilled a number of managerial roles including that of general manager of the largest independent shipping agency in Taiwan. He then gained a MBA with distinction at INSEAD before serving as a strategy consultant with the LEK Partnership. He was chief executive of Filofax Group plc when the company floated on the London Stock Exchange in 1996. He is a non-executive director of Artemis VCT plc and a non-executive director of a number of private companies. Robin joined the board on 21 January 2009 and will be proposed as Chairman at the forthcoming AGM.

Greg Lockwood has been involved in backing growth ventures for 13 years. He was a director in the corporate finance department of UBS, and in 1999 moved to the UBS Capital division to found a captive fund investing in communications technologies. In 2002 Greg helped outsource this operation, which included investments in Wolfson Microelectronics and Betfair, through the set up of an independent firm. By 2006 this fund was almost fully exited by which time Greg had started to invest privately in internet marketplace businesses. This activity is currently being formalised as Piton Capital. Greg joined the Board on 30 March 2009 and will be proposed for election at the forthcoming AGM.

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 LLP, 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 was chairman of the Audit Committee for the year under review.

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 EMAlternatives LLC, chairman of Noble Venture Finance LLP and founding director of Roper Industries Inc., (NYSE). 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 are independent of the Manager except Andrew Carruthers. At the forthcoming Annual General Meeting, Jock Birney, Tom Sooke and Christopher Wright will retire by rotation from the Board and will not be seeking re-election. In accordance with the Company's Articles of Association, Robin Field, David Adams and Greg Lockwood having been appointed since the last annual general meeting, are all proposed for election and in accordance with the Listing Rules, Andrew Carruthers offers himself for annual re-election.

Directors' report

The Directors present their report and the audited financial statements for the twelve months to 31 December 2008.

Activities and status

The principal activity of the Company during the period was the making of equity investments, mainly in unquoted companies. On 13 January 2009, the Company was granted annual approval by HM Revenue & Customs as a Venture Capital Trust for the period ended 31 December 2007 in accordance with Section 274 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 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 5 and is included in the Directors' report by reference.

Change of name

The name of the Company was changed from Quester VCT plc to SPARK VCT plc by special resolution at the Annual General Meeting held on 18 June 2008.

Financial results and dividends

The net loss attributable to shareholders for the period ended 31 December 2008 was £4,237,000 (ten months to 31 December 2007: loss of £4,886,000). A final dividend in respect of the year ended 31 December 2007 of 2.8p per share, equivalent to £3,135,000, was paid on 15 October 2008.

The Directors do not recommend a dividend for the year ended 31 December 2008.

As at 31 December 2008, the Company had accumulated unrealised capital losses, net of unrealised capital gains, of £4,842,000 (31 December 2007: gains of £945,000) and retained a positive balance on its profit and loss account of £4,388,000 (31 December 2007: positive balance of £2,682,000). During the period a transfer of £3,291,000 has been made from the special reserve to the profit and loss account to offset realised capital losses arising in the period, including £959,000 representing write-off of venture capital investments during the period, £978,000 representing unrealised losses of prior years now considered to represent permanent diminution in value and £1,268,000 representing losses realised on the sale of listed equities: see note 15.

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 35. 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 19.

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 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 per cent 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 21. 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 19.

Purchase and cancellation of shares

During the period 2,392,132 ordinary shares of 5p each, representing 2.1% of the opening issued share capital, were bought in by the Company for cancellation at a total cost of £572,111. 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 will 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 since and their interests in the issued ordinary shares of 5p each of the Company at 31 December 2008 and as at the date of this report were as follows:

	31 December 2008	31 December 2007
DY Adams (appointed 30 March 2009)	**–**	–
JD Birney (Chairman)	**166,611**	166,611
AB Carruthers	**–**	–
RA Field (appointed 21 January 2009)	**10,911**	10,911
GK Lockwood (appointed 30 March 2009)	**–**	–
TP Sooke	**37,224**	37,224
C Wright	**–**	–

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.

AB Carruthers is a Director of SPARK Venture Management Limited, the Manager. Save for the Management Agreement 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 20 of the financial statements.

Investment manager

SPARK Venture Management Limited ("SVML"), is the Manager to the Company. The principal terms of the Company's management agreement with SVML as applicable during the period ended 31 December 2008 are set out in note 4 of the financial statements and have not changed throughout the period to 31 December 2008.

The suitability of the position of the Manager is under continuous assessment by the Directors. 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 44 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 of market risk, liquidity and credit risk is provided in note 19 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 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 new 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 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 2008 there were no days billings from the suppliers of services outstanding (31 December 2007: nil).

Substantial shareholdings
As at 31 December 2008 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 Central Court, 25 Southampton Buildings, London WC2A 1AL at 10:00 a.m. on 8 May 2009.

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 election of Directors and the re-appointment of Grant Thornton UK LLP as auditor, the following resolutions are proposed:

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 88,938,862, 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.

Directors' report (cont.)

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 £555,305.69 (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 for the Company to purchase its own shares (Resolution 10 – special resolution)
This resolution proposes to renew the existing power of the Company to purchase its own shares up to a maximum number of 11,106,114 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.

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
A resolution to re-appoint Grant Thornton UK LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

NT Tran
Secretary
9 April 2009

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

Since the year end three new appointments have been made to the Board. Robin Field was appointed to the Board on 21 January 2009, and David Adams and Greg Lockwood were appointed on 30 March 2009, temporarily increasing the number of members to seven non-executive Directors, six of whom are independent of the Manager. Andrew Carruthers is associated with the Manager, however, the majority of the Board acts independently of the Manager. The Board considers David Adams to be independent even though he was a Partner of Travers Smith, the legal advisor to the Company, within the last three years, having retired as a Partner of Travers Smith on 30 June 2006. Jock Birney, Tom Sooke and Christopher Wright will retire by rotation from the Board at the forthcoming Annual General Meeting and will not be seeking re-election. 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 at least four or five 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 twelve months to 31 December 2008 was as follows:

	Scheduled Board meetings	Scheduled Audit Committee meetings
DY Adams (appointed 30 March 2009)	n/a	n/a
JD Birney (Chairman)	4/4	2/2
AB Carruthers	4/4	n/a
APG Holmes (resigned 2 June 2008)	2/4	n/a
GK Lockwood (appointed 30 March 2009)	n/a	n/a
TP Sooke	4/4	2/2
C Wright	4/4	2/2
RA Field (appointed 21 January 2009)	n/a	n/a

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 was chairman of the Audit Committee until 30 March 2009, 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.

There is a formal process for evaluating the performance of the Board. Under this arrangement the Board, led by the Chairman, conducts an annual performance evaluation to determine whether it, its Committees and individual Directors are functioning effectively.

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.

JD Birney, TP Sooke and C Wright will retire by rotation at the forthcoming AGM. RA Field, DY Adams and GK Lockwood are all proposed for election at the AGM, in addition, Andrew Carruthers is required under the Listing Rules to offer himself for annual re-election. Since last year's AGM, the Board has conducted an extensive search for potential new appointments to the Board. RA Field is currently a non-executive director of Artemis VCT plc, DY Adams has over 25 years of experience as a corporate lawyer and GK Lockwood has been involved in backing growth ventures for 13 years. The Board believes that RA Field, DY Adams, GK Lockwood and AB Carruthers will bring the right combination of expertise and experience to the Board and that these individuals should be elected/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

During the year the Audit Committee consisted of the three independent non-executive Directors and was chaired by TP Sooke (GK Lockwood replaced TP Sooke as chairman of the Audit Committee on 30 March 2009). As the Company's Board is small, JD Birney, the Chairman, was also a member of the Audit Committee. JD Birney, TP Sooke and C Wright will also retire from the Audit Committee at the same time as they retire by rotation from the Board at the AGM. 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 SVML. 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.

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 8 May 2009 when shareholders will have the opportunity to meet the Board. The Notice of Meeting is set out on page 41. 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 40.

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 £55,000, (ten months to 31 December 2007: £47,000) as set out below and in note 7 to the financial statements.

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 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 80.5p, 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.

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
JD Birney [(1)]	**23**	19
AB Carruthers [(2)]	**–**	–
APG Holmes (resigned 2 June 2008) [(2)]	**–**	–
TP Sooke [(1)(3)]	**17**	15
C Wright [(1)]	**15**	13
	55	47

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

(1) The Directors fees of JD Birney, TP Sooke and C Wright were paid to service companies.

(2) APG Holmes and AB Carruthers waived their entitlement to Directors' fees for all accounting periods ended on, or prior to, 31 December 2008.

(3) Amounts paid to third parties in respect of services provided by TP Sooke include £2,500 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 9 April 2009 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.sparkvct.com website, which is a website maintained by the Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. 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.

On behalf of the Board

Jock Birney
Chairman
9 April 2009

Profit and loss account for the year to 31 December 2008

	Notes	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Loss on investments at fair value through profit or loss	11(d)	**(3,154)**	(4,314)
Income	2	**784**	636
Recoverable VAT	3	**322**	–
Investment management fee: annual fee	4	**(734)**	(776)
performance incentive fee	5	**(1,040)**	–
Other expenses	6	**(415)**	(432)
Loss on ordinary activities before taxation		**(4,237)**	(4,886)
Tax on loss on ordinary activities	8	**–**	–
Loss on ordinary activities after taxation		**(4,237)**	(4,886)
Basic and fully diluted loss per share	10	**(3.7)p**	(4.3)p

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 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
Fixed assets			
Investments at fair value through profit or loss	11(a)	**21,333**	36,294
Current assets			
Debtors	12	**1,936**	177
Cash at bank		**6,965**	1,417
		8,901	1,594
Creditors: amounts falling due within one year	13	**(503)**	(212)
Net current assets		**8,398**	1,382
Net assets		**29,731**	37,676
Capital and reserves			
Called-up equity share capital	14	**5,553**	5,673
Share premium account	15	**150**	150
Capital redemption reserve	15	**731**	611
Special reserve	15	**23,751**	27,615
Revaluation reserve	15	**(4,842)**	945
Profit and loss account	15	**4,388**	2,682
Total equity shareholders' funds		**29,731**	37,676
Net asset value per share	16	**26.8p**	33.2p

The financial statements on pages 25 to 39 were approved by the Directors on 9 April 2009 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 year to 31 December 2008

	Notes	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Cash (outflow)/inflow from operating activities	17	**(2,564)**	125
Financial investment			
Purchase of venture capital investments	11(b)	**(3,299)**	(3,764)
Purchase of listed equities and fixed interest investments	11(b)	**(1,488)**	(7,514)
Sale of venture capital investments	11(b)	**7,928**	1,237
Sale/redemption of listed equity and fixed interest investments	11(b)	**8,269**	11,926
Amounts recovered from investments previously written off	11(d)	**410**	159
Total net financial investment		**11,820**	2,044
Equity dividends paid	9	**(3,135)**	(4,911)
Financing			
Buy-back of ordinary shares	15	**(573)**	(968)
Issue of shares under the terms of the dividend reinvestment scheme		**–**	113
Total financing		**(573)**	(855)
Increase/(decrease) in cash for the period		**5,548**	(3,597)

Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash for the period	**5,548**	(3,597)
Net funds at the start of the period	**1,417**	5,014
Net funds at the end of the period	**6,965**	1,417

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 year to 31 December 2008

	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 31 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
Shares purchased for cancellation	(120)	–	120	(573)	–	–	(573)
Realisation of prior years' net unrealised gains on investments	–	–	–	–	(3,884)	3,884	–
Transfer from special reserve to profit and loss account	–	–	–	(3,291)	–	3,291	–
Unrealised loss on revaluation of investments	–	–	–	–	(1,903)	1,903	–
Loss on ordinary activities after taxation	–	–	–	–	–	(4,237)	(4,237)
Dividends	–	–	–	–	–	(3,135)	(3,135)
At 31 December 2008	**5,553**	**150**	**731**	**23,751**	**(4,842)**	**4,388**	**29,731**

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 a diminution 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.

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 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, created on 3 November 2000 following the reduction of the share premium account, 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

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Dividend income		
– Listed companies	**167**	387
Interest receivable		
– Listed fixed interest securities	**202**	108
– Loans to venture capital investee companies	**72**	42
– Bank deposits	**74**	38
Other income	**269**	61
	784	636

3 Recoverable VAT
HM Revenue and Customs (HMRC) announced in March 2008, following the European Court of Justice decision in the JPMorgan Claverhouse case, that the provision of management services to venture capital trusts is exempt from VAT. Accordingly the Manager ceased to charge VAT on management fees payable by the Company with effect from 30 September 2008.

On the basis of information supplied by the Manager and discussions with the Company's professional advisors, the Directors consider it virtually certain that the Company will in the foreseeable future obtain a repayment of VAT of not less than £322,000. This amount has been recognised as a separate item in the income statement. It is possible that additional amounts of VAT will be recoverable in due course but the Directors are unable at this stage to quantify the sums involved.

4 Investment management fee

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Investment management fee	**671**	653
Irrecoverable VAT	**63**	123
	734	776

SPARK Venture Management Limited ("SVML") 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. AB Carruthers is an executive director of SVML.

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 were less than 3.25% of closing net asset value and accordingly there was no reduction in the management fee in respect of the cap (ten months to 31 December 2007: nil).

Irrecoverable VAT was charged on the investment management fee up to 30 September 2008, as mentioned in note 3, in line with the ruling against HMRC. This amount is part of the total claimed back from HMRC representing VAT paid on management fees for the three years prior to 30 September 2008.

SVML also provides administrative and secretarial services to the Company for which it was entitled to a fee of £65,000 for the period (ten months to 31 December 2007: £53,000) adjusted annually in line with changes in the Retail Price Index.

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.

5 Performance incentive fee

Following the declaration at the Annual General Meeting of a final dividend of 2.8p per share in respect of the period ended 31 December 2007, the total of cash dividends paid or declared amounted to 11.15p per share or 25% of the Fair Asset Value at the time of the merger in 2005. This triggered the performance incentive fee of £1,040,000 which was paid on 17 October 2008.

6 Other expenses

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Administrative and secretarial services	**65**	53
Directors' remuneration (note 7)	**55**	47
Auditor's remuneration		
– Fees payable to the Company's auditor for audit of the financial statements	**17**	16
– Fees payable to the Company's auditor and its associates for other services relating to tax	**8**	8
Legal and professional expenses	**31**	47
Insurance	**28**	27
Management fees payable to OLIM Limited	**39**	53
Transaction costs	**15**	8
Irrecoverable VAT	**32**	40
Payment on account to HMRC	**31**	–
Other	**94**	133
	415	432

Following a routine inspection into the PAYE records of the Company, discussions are underway with HMRC over the treatment of amounts paid in prior tax years to Directors and former Directors of SPARK VCT and the companies that merged into it. Payments have historically been made to directors' service companies rather than being treated as salary with PAYE deducted. The

Notes to the financial statements (cont.)

Company's professional advisers have advised that the likely total liability for SPARK VCT is in the region of £25,000 on the assumption that 25% of amounts paid to Directors service companies are now viewed by HMRC as having been incorrectly paid gross of any taxation or national insurance deductions and that the Company is unable to recover this possible tax liability from its Directors and former Directors. In the event that the arguments of the company's advisers are unsuccessful, the total liability could be £155,000 including £33,000 of employer's national insurance. The Company has accrued for a potential liability of £31,000 in the accounts for the year to 31 December 2008 representing a payment on account made after the balance sheet date. From 1 January 2009 all directors' fees are paid as salary with PAYE and National Insurance deducted.

7 Directors' remuneration

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Amounts payable to Directors or companies associated with them	**55**	47
	55	47

The total fees paid or payable in respect of individual Directors for the period is detailed in the Directors' remuneration report commencing on page 23.

8 Tax on ordinary activities

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Corporation tax	**–**	–
	–	–

Reconciliation of loss on ordinary activities to taxation

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Loss on ordinary activities before taxation	**(4,237)**	(4,886)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28.5% (31 December 2007:30%)	**(1,208)**	(1,466)
Effects of:		
Non taxable items – UK dividends and net losses on investments	**851**	1,178
Unutilised management expenses	**357**	288
	–	–

The Company has excess trading losses of £7,453,000 (31 December 2007: £6,217,000) that are available for offset against future profits. A deferred tax asset of £2,087,000 (31 December 2007: £1,865,000) 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.

9 Dividends

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Final dividend paid, period ended 31 December 2007: 2.8p per share paid 15 October 2008	**3,135**	–
Interim dividend, period ended 31 December 2007: 1.4p per share paid 7 December 2007	**–**	1,612
Second interim dividend, year ended 28 February 2007: 2.8p per share paid 21 March 2007	**–**	3,299
	3,135	4,911

10 Earnings per share

The loss per share of 3.7p (ten months to 31 December 2007: loss 4.3p) is based on the loss on ordinary activities after tax of £4,237,000 (ten months to 31 December 2007: loss £4,886,000) and on the weighted average number of ordinary shares in issue during the period of 112,145,822 (ten months to 31 December 2007: 114,784,742).

There is no dilution effect in respect of the period ended 31 December 2008 (31 December 2007: nil).

11 Investments

11(a) Summary of investments

	31.12.08 £'000	31.12.07 £'000
Venture capital investments	**18,435**	25,634
Bonds and equity investments	**2,898**	10,660
	21,333	36,294
Bonds and equity investments comprise:		
Listed fixed interest investments	**2,898**	4,860
Listed equity investments	**–**	5,800
	2,898	10,660

11(b) Movements in investments

	Venture capital investments £'000	Bonds & equity investments £'000	Total £'000
Cost at 1 January 2008	25,098	10,252	35,350
Net gain at 1 January 2008	536	408	944
Valuation at 1 January 2008	25,634	10,660	36,294
Movements in the period:			
Purchases at cost	3,299	1,488	4,787
Disposals			
– proceeds	(7,928)	(8,269)	(16,197)
– net gains/(losses) on disposal	318	(1,020)	(702)
Impairment in value	(959)	–	(959)
Amortisation of fixed interest investments	–	13	13
Net (loss)/gain on revaluation of investments	(1,929)	26	(1,903)
Valuation at 31 December 2008	**18,435**	**2,898**	**21,333**
Book cost at 31 December 2008	23,321	2,854	26,175
Net (loss)/gain at 31 December 2008	(4,886)	44	(4,842)
Valuation at 31 December 2008	**18,435**	**2,898**	**21,333**

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.

11(c) Venture capital investments

	Valuation at 01.01.08 £'000	Additions £'000	Disposals £'000	Write-offs £'000	Other revaluations £'000	Valuation at 31.12.08 £'000
Fifteen largest venture capital investments						
Sift Group Limited	2,249	–	–	–	–	2,249
Imagesound plc[(1)]	1,859	–	–	–	61	1,920
Elateral Holdings Limited	1,009	–	–	–	774	1,783
Vivacta Limited	1,336	–	–	–	–	1,336
Cluster Seven Limited	1,196	372	–	–	(371)	1,197
UniServity Limited	1,000	–	–	–	–	1,000
Isango! Limited	–	1,000	–	–	–	1,000
Skinkers Limited	1,001	56	–	–	(87)	970
Workshare Limited	695	–	–	–	214	909
Level Four Software Limited	725	130	–	–	–	855
We7 Limited	674	142	–	–	–	816
Secerno Limited	447	532	–	–	(291)	688
Perpetuum Limited	780	–	–	–	(195)	585
Community Internet Europe Limited	317	10	–	–	183	510
Haemostatix Limited	247	255	–	–	–	502
	13,535	2,497	–	–	288	16,320
Other unquoted venture capital investments	3,239	740	–	(556)	(1,904)	1,519
Other quoted venture capital investments	1,487	–	(175)	(403)	(313)	596
	18,261	3,237	(175)	(959)	(1,929)	18,435
Investments exited during the year						
Nomad Payments Limited	7,263	–	(7,263)	–	–	–
Casella Group Limited	110	–	(110)	–	–	–
Pelikon Limited	–	62	(62)	–	–	–
	25,634	**3,299**	**(7,610)**	**(959)**	**(1,929)**	**18,435**

(1) Includes £1 million unquoted 5% fixed interest rate unsecured subordinated convertible loans until 2012

11(d) Loss on investments

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

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Net (loss)/gain on disposals	**(702)**	169
Recoveries made in respect of investments previously written off	**410**	159
Write-off of investments	**(959)**	(5,076)
Net (loss)/gain on revaluation of investments	**(1,903)**	434
	(3,154)	(4,314)

Net (loss)/gain on disposals' 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.

11(e) Significant holdings

Details of shareholdings in those companies where the company's holding at 31 December 2008 represents more than 20 per cent of the allotted equity share capital of any class; more than 20 per cent of the allotted share capital; or more than 20 per cent 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)	227,470	13.6%
	'B' Ordinary shares (25p)	606,945	25.8%
Elateral Holdings Limited	Ordinary shares (0.001p)	14,423,285	21.8%
	Preference shares (0.001p)	81,699,667	28.5%
Lab M Holdings Limited (formerly IDG)	'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%
Sift Group Limited	Ordinary shares (1p)	5,566,184	17.6%
	A Ordinary shares	2,977,480	25.9%
	B Ordinary shares	2,977,480	25.9%

12 Debtors

	31.12.08 £'000	31.12.07 £'000
Other debtors	**1,811**	92
Prepayments and accrued income	**125**	85
	1,936	177

13 Creditors (amounts falling due within one year)

	31.12.08 £'000	31.12.07 £'000
Accruals	**345**	212
Other creditors	**158**	–
	503	212

14 Called-up equity share capital

	31.12.08 £'000	31.12.07 £'000
Authorised:		
200,000,000 (31.12.07: 200,000,000) ordinary shares of 5p	**10,000**	10,000
Allotted, issued and fully paid:		
111,061,138 (31.12.07: 113,453,270) ordinary shares of 5p	**5,553**	5,673

The Company bought back for cancellation 2,392,132 ordinary shares, representing 2.1% of the opening issued share capital, at a cost of £572,111.

15 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2008	150	611	27,615	945	2,682
Shares purchased for cancellation	–	120	(573)	–	–
Realisation of prior years' net gains on investments	–	–	–	(3,884)	3,884
Transfer from special reserve to profit and loss account	–	–	(3,291)	–	3,291
Loss on revaluation of investments	–	–	–	(1,903)	1,903
Loss on ordinary activities after taxation	–	–	–	–	(4,237)
Dividends	–	–	–	–	(3,135)
At 31 December 2008	**150**	**731**	**23,751**	**(4,842)**	**4,388**

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 £3,291,000 (including £2,000,000 representing impairments in value of investments during the period and £1,291,000 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.

16 Net asset value per share

The net asset value per share as at 31 December 2008 of 26.8p (31 December 2007: 33.2p) is based on net assets of £29,731,000 (31 December 2007: £37,676,000) divided by the 111,061,138 ordinary shares in issue at that date (31 December 2007: 113,453,270). There is no dilution effect as at 31 December 2008 (year ended 31 December 2007: nil).

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

	Twelve months to 31.12.08 £'000	Ten months to 31.12.07 £'000
Loss on ordinary activities before tax	**(4,237)**	(4,886)
Loss on investments at fair value through profit or loss	**3,154**	4,314
(Increase)/decrease in debtors	**(1,759)**	812
Increase/(decrease) in creditors	**291**	(122)
Amortisation of fixed interest investments	**(13)**	7
Cash (outflow)/inflow from operating activities	**(2,564)**	125

18 Commitments and guarantees

As at 31 December 2008 there were no legal commitments (31 December 2007: £70,000) in respect of further funding to be provided to existing investee companies. There were no guarantees outstanding (31 December 2007: £nil).

19 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 2008, 62.1% (£18.4 million) of the Company's net assets were invested in venture capital investments and 37.9% (£11.3 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
  As the Company has no borrowings it only has limited interest rate risk. The impact is on income and operating cash flows and arises from changes in market interest rates.

  The assets that are exposed to interest rate risk are tabled below. Interest received on cash balances is at a margin over LIBOR or its foreign currency equivalent (2007: same). With interest income of £348,000 to 31 December 2008, any further upward or downward movement in interest rates is unlikely to be material.

- 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. 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 1.9% (the annual average percent reduction in total return over the last five accounting periods) 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 0.32p per share (2007: movement of 1.6% would affect net asset value by 0.36p 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 37.9% 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.

The liquidity balances include £2.9m of 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 1.9% in the fair value of the listed equity and fixed interest securities portfolio would result in a movement of £0.1 million in profit before tax, which would affect the net asset value by 0.05p per share (2007: movement of 1.6% would affect net asset value by 0.15p per share).

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss.

The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	31.12.08 £'000	31.12.07 £'000
Investments in fixed interest instruments	**2,898**	4,860
Cash and cash equivalents	**6,965**	1,417
	9,863	6,277

The risk is managed as follows:

- where the Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to determine the risk to the Company of default;
- investment transactions are carried out by the fixed interest investment adviser, whose reports are received and reviewed on a monthly basis by the Manager;
- cash at bank is held only with banks with high quality external credit ratings.

The Company also has an exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe.

These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under other price risk above.

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).

Future dividends depend on the rate of reinvestment of the liquid resources and the overall performance of the portfolio. It is the Company's policy that dividends will be dependent to a significant degree on the level of the Company's net income and realised capital gains.

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 2008 is £29.7 million (31 December 2007: £37.7 million) as shown in the Balance Sheet, which includes the Company's share capital and reserves.

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.

20 Related party disclosures

Spark Investors Limited, (a fellow subsidiary of the Manager) for which AB Carruthers acted as a Director, is from time to time eligible to receive transaction fees and/or Directors' fees from investee companies. During the period ended 31 December 2008, fees of £31,000 attributable to the investments of the Company were received pursuant to these arrangements (ten months to 31 December 2007: £39,000).

During the year there were no transactions by Directors or in which SPARK VCT plc has invested (ten months to 31.12.07: one director made market purchases of shares: Imagesound plc (£5,000), MediGene AG (£10,000) and Vernalis plc (£6,000)).

21 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
SPARK VCT 2 plc – SVCT 2
Quester Venture Partnership – QVP
Isis College Fund Limited Partnerships and Second Isis College Fund Limited Partnership – ICF
Lachesis Seed Fund Limited Partnership – Lachesis

Company	Co-investors
Academia Networks Limited	ICF, SPK and SVCT 2
Allergy Therapeutics plc	SVCT 2
Antenova Limited	QVP and SVCT 2
Arithmatica Limited	QVP and SVCT 2
Celldex Therapeutics, Inc.	QVP and SVCT 2
Cluster Seven Limited	QVP and SVCT 2
Elateral Holdings Limited	SVCT 2
Gemini holdings Limited	SVCT 2
Haemostatix Limited	Lachesis, QVP and SVCT 2
Imagesound plc	SVCT 2
Isango! Limited	SPK and SVCT 2
Lectus Therapeutics Limited	QVP and SVCT 2
Level Four Software Limited	QVP and SVCT 2
MediGene AG	ICF, QVP and SVCT 2
Nanotecture Group Limited	QVP
Oxonica plc	ICF and SVCT 2
Perpetuum Limited	QVP and SVCT 2
Secerno Limited	ICF and SVCT 2
Sift Group Limited	SVCT 2
Skinkers Limited	SPK and SVCT 2
Symetrica Limited	SVCT 2
TeraView Limited	SVCT 2
UniServity Limited	SVCT 2
Vivacta Limited	QVP and SVCT 2
We7 Limited	SVCT 2
Workshare Limited	QVP and SVCT 2

22 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 SPARK VCT plc

We have audited the financial statements (the "financial statements") of SPARK VCT plc for the year ended 31 December 2008 which comprise the profit and loss account, balance sheet, cash flow statement, reconciliation of movements in shareholders' funds, and notes 1 to 22. 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 statement of Directors' responsibilities.

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 include 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, investment policy and objective, Chairman's statement, business review, principal venture capital investments, fund summary, Directors' report, and the unaudited part of the Directors' remuneration report. 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 2008 and of its loss for the year 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
9 April 2009

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of SPARK VCT plc (the "Company") will be held at Central Court, 25 Southampton Buildings, London WC2A 1AL at 10:00 a.m. on 8 May 2009 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 2008, 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 year ended 31 December 2008.

3 To elect RA Field as a Director.

4 To elect DY Adams as a Director.

5 To elect GK Lockwood as a Director.

6 To re-elect AB Carruthers 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 £4,446,943.10 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 £555,305.69;

and this power, unless renewed, shall expire at the conclusion of the Annual General Meeting of the Company in 2010 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.

Notice of annual general meeting (cont)

As Special Business

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

10 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 11,106,114;

(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 2010; 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.

By order of the Board
NT Tran
Secretary

33 Glasshouse Street
London, W1B 5DG
9 April 2009

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 Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by not later than 10:00 a.m. on 6 May 2009. 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 10:00 a.m on 6 May 2009 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 10:00 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, W1 B 5DG, during normal business hours (public holidays excluded) and will be made available for inspection at the place of the Annual General Meeting for 15 minutes prior to and during the meeting.

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
David Adams
Andrew Carruthers
Robin Field
Greg Lockwood
Tom Sooke
Christopher Wright

Secretary
Nghi Tran

Registered office
33 Glasshouse Street
London W1 B 5DG
(Registered in England, No 3139019)

Manager
SPARK Venture Management Limited
33 Glasshouse Street
London W1B 5DG

Stockbroker
Noble & Company Limited
120 Old Broad Street
London EC2N 1AR

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 **10:00 a.m. on 8 May 2009**

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 Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 10:00 a.m. on 6 May 2009.

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 SPARK 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 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 43 for details).

Eligible shareholders are reminded that a sale of their shareholding in SPARK 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, or to the Company directly.

Investor relations

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

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

Tel: 0207 851 7777 Email: contact@sparkvct.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.

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