VCT

2009

Annual Report

SPARK VCT PLC

About **SPARK VCT plc**

The objective of SPARK 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.

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

The Board considers it is in the best interests of shareholders for the Company to remain as an approved VCT and recommends shareholders to support the forthcoming Continuation Vote. 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. The Board is proposing a final dividend of 4p per share in respect of the year ended 31 December 2009. This dividend, if approved by shareholders, will be paid on 11 June 2010 to shareholders on the register as at 14 May 2010. Subject to the passing of the Continuation Vote it is the Board's intention to use 75% of the proceeds from the sale of investments to pay dividends. Cash funds remaining after the dividend payments and not required for follow-on investments should be used to make new, qualifying investments, within the Company's existing investment policy, enabling the Company to maintain its VCT tax status; such investments would be focused towards relatively lower risk opportunities, where investee companies are more advanced in their development.

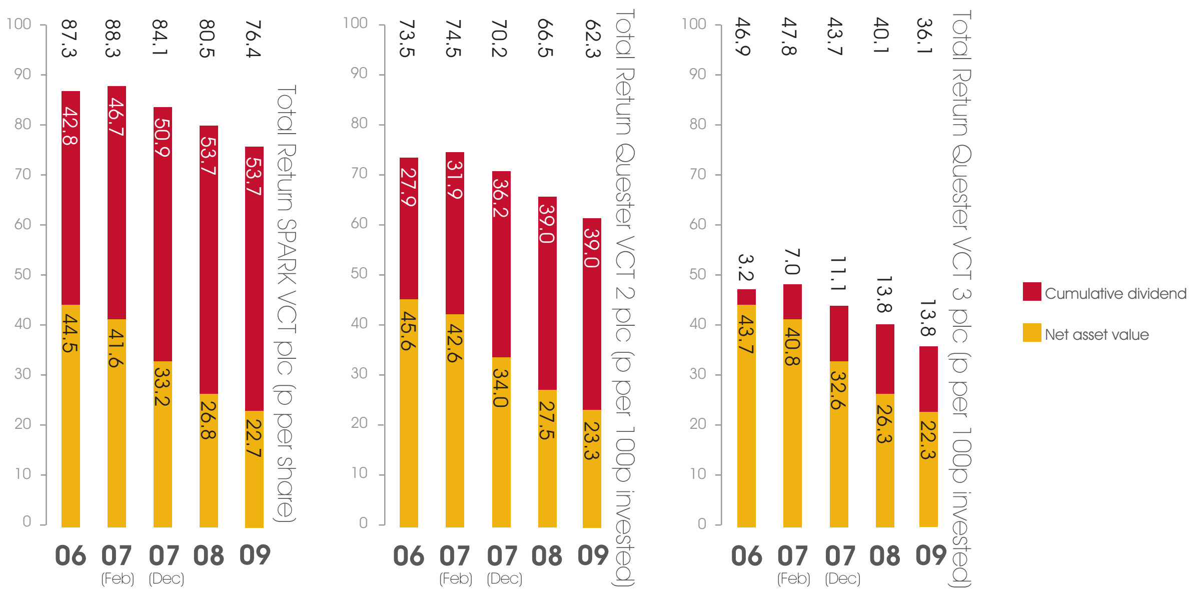
Investment in a Venture Capital Trust should be viewed as a high risk, long-term investment. Eligible shareholders are reminded that a sale of their shareholding in SPARK VCT plc may give rise to a loss of any capital gains tax deferral granted at the time of their original subscription.

Financial highlights as at 31 December 2009

Per ordinary share (pence)	31.12.09	31.12.08	31.12.07
Net asset value	22.7	26.8	33.2
Dividends			
Dividend paid (1)	–	2.8	4.2
Cumulative dividend (2)	53.7	53.7	50.9
Total return (3)			
SPARK VCT plc	76.4	80.5	84.1
Return including tax benefits (6)	96.4	100.5	104.1
Total return to former shareholders of:			
Quester VCT 2 plc, per 100p invested in shares of that company (4)	62.3	66.5	70.2
Return including tax benefits (6)	82.3	86.5	90.2
Quester VCT 3 plc, per 100p invested in shares of that company (5)	36.1	40.1	43.7
Return including tax benefits (6)	56.1	60.1	63.7

(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 ordinary shareholders in SPARK VCT plc since the launch of the Company (then called Quester VCT plc) in April 1996
(4) Total return to original shareholders in Quester VCT 2 plc, launched in March 1998, which were 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 original shareholders in Quester VCT 3 plc, launched in February 2000, which were 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 propose a final dividend of 4.0 pence per share for the year ended 31 December 2009, to be approved at the Annual General Meeting.



Composition of the fund by value	**31.12.09**
Unquoted venture capital investments	57.8%
Quoted venture capital investments	1.7%
Listed fixed interest investments	4.0%
Cash and other net current assets	36.5%
Total	**100.0%**

Chairman's statement

Introduction

Your Company's new Board, which was appointed early in 2009, has now completed a year in office, during which we have thoroughly reviewed the Company's management, its investment portfolio and its strategic options. We offered shareholders some preliminary guidance on these issues in our interim report of August 2009 and the full conclusions of our strategy review, which we repeat below, in February this year.

The Company's initial focus had been investment in very early stage businesses with a strong bias towards those with innovative, unproven technologies. Market conditions for such companies over recent years have been extremely unfavourable and considerable shareholder value has been lost.

Nevertheless we believe that the current portfolio does contain some businesses of promise and there may be opportunities for profitable realisations in the years ahead. Furthermore, the Venture Capital Trust ('VCT") structure itself still has some significant advantages, notably the ability to pay tax free dividends to shareholders, and it is a cornerstone of our new strategy, of which more details are given below, that the Company's resources should be concentrated on the regular payment of such dividends.

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

	Venture Capital Investments £'000	Bonds and Net Current Assets £'000	Total £'000	Pence per Share
Net asset value at 31 December 2008	**18,435**	**11,296**	**29,731**	**26.8**
Net losses on disposal	(40)	–	(40)	–
Income net of operating expenses	–	(650)	(650)	(0.6)
Net loss on valuation of investments	(3,891)	(42)	(3,933)	(3.6)
Net investment	366	(366)	–	–
Net assets before dividends and share buybacks	**14,870**	**10,238**	**25,108**	**22.6**
Dividend paid	–	–	–	–
Share buybacks	–	(78)	(78)	0.1
Net asset value at 31 December 2009	**14,870**	**10,160**	**25,030**	**22.7**

Performance

In the year to 31 December 2009 net assets per share have fallen from 26.8p to 22.7p. The overwhelming majority of this fall has been downward valuation of the unquoted venture capital portfolio, offset by some minor improvements in a few valuations where externally supported investment rounds or improved performance have increased valuations. There have been no realisations and no investment in new companies during the year.

Conditions for early stage companies have remained very challenging with a dearth of available credit finance, extremely cautious equity markets and a very slow trading environment. Many of the sectors to which our investee companies' products and services are directed remain themselves in a very cautious constrained position in which new initiatives are approved very slowly. As a consequence trading has often remained subdued, companies' break even points have been delayed and cash requirements have tended to rise. Our Investment Manager has been extremely active in compelling investee companies to live within tighter cash constraints, to shed cost, to adopt more realistic strategies and, where necessary, to change management. Nevertheless where we have seen deterioration in performance and where targets have been missed we have not hesitated to reduce the carrying values of our investments.

We drew attention in the Interim Management Statement of 19 May 2009 and the Half Yearly Report of 21 August 2009 to the position of Skinkers Limited and have since felt it prudent to make a further reduction in valuation to reflect the very difficult conditions that this company faces.

We reduced the carrying value of Isango! Limited in the first half of the year under review. Although trading conditions have not improved, further third party funding, in which we did not participate, has been secured, which supports our current carrying value. We have also previously drawn attention to Sift Group Limited, where we made a reduction in carrying value in the first half of the year to reflect a fall in comparable market values. Since then the company has secured further equity and debt from investors and management, in which we participated, as well as further facilities from its bankers. It has also been able to take advantage of the depressed market conditions to make a small acquisition which is expected to contribute to growth and make the business more attractive to potential acquirers.

We7 is another business in which the difficult investment market has contributed more to loss of current value than poor trading. Since our last report a third party investor has supported a funding round and we have, in accordance with our overall valuation policy, reduced our carrying value to reflect the price of this round.

More detailed information on individual portfolio companies is given in the Business Review on pages 7 to 10.

Meanwhile the operating loss for the year has been reduced from £1,083,000 to £650,000.

VCT Qualifying Status

On 31 December 2009, 73.7% of total investments were in qualifying holdings. It is anticipated that this margin of compliance will be enhanced if the dividend recommended below is approved by shareholders. The Board is very conscious of the necessity of ensuring that qualifying investments comfortably exceed the minimum threshold of 70% required for the Company to continue to enjoy VCT tax status, and will continue to monitor the position carefully.

Annual General Meeting and Continuation Vote

The Annual General Meeting of the Company ("AGM") will be held at the offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW at 12:00 noon on Friday 7 May 2010. Full details of the business to be conducted at the AGM are given in the Notice of the Meeting on page 42. Your Board welcomes your attendance at the meeting as it gives an opportunity for shareholders to ask questions of the Board and Investment Manager. If you are unable to attend the AGM in person we would encourage you to make use of your proxy votes.

At the AGM this year shareholders will be asked to vote on a resolution to decide whether or not the Company should continue as a VCT (the "Continuation Vote"). The Board has considered this question in the context of its overall review of the Company's strategy. Market surveys suggest that shareholders wish VCT companies to continue and to preserve their VCT tax status. As stated in the Half Yearly Financial Report of 21 August 2009, the Board believes that many investors in SPARK VCT plc with "rolled over" or "deferred" capital gains would be significantly disadvantaged if the Company ceased to qualify as a VCT.

The Board's view that the Company should be maintained as a qualifying VCT is reinforced by the stark reality that there is no credible scenario in which the full value of the Company's portfolio, or anything approaching it, could be achieved in a rapid realisation. There is no ready market for minority shares in unquoted early stage businesses and any attempt to market the investment portfolio as whole would be unlikely to raise more than a fraction of its value. In addition, 19 of the Company's 22 unquoted investments (representing 95% of the unquoted portfolio in value) are co-investments with other funds managed by our Investment Manager, who exercises management and shareholder rights on behalf of all of the funds collectively. The Company is therefore most likely to be able to achieve high value exits if its investments are sold in conjunction with those other holdings. Further, in practice, the existence of these shared management and shareholder rights significantly restricts the options for unilateral action open to the Company.

It is, therefore, the Board's view that it is in the best interests of shareholders to maintain the Company as a qualifying VCT. Accordingly, the Directors are recommending that shareholders support the Continuation Vote.

Investment Strategy

The Board is most aware that no dividend has been paid to shareholders since October 2008, that net assets have fallen significantly in recent years and that there has been an enduring discount between the net assets per share and the share price.

The Board has, accordingly, assessed the Company's investments and concluded that, in the current economic climate, early stage venture capital investments, such as the majority of those in the Company's existing portfolio, no longer present an attractive investment for SPARK VCT plc shareholders. The Board believes that this is likely to remain the case for the foreseeable future.

As a result, the directors have reviewed the investment strategy for the Company and advise that:

- The Company's existing portfolio investments should be realised as soon as they mature and suitable exits are achievable. This is likely to take several years and some highly selective follow-on funding may be required where it is possible to enhance realisation prospects;

- It is more efficient to use cash proceeds from realisations to fund tax free dividends than share buybacks. Accordingly, the Board intends to adopt an aggressive dividend policy, which returns 75% of sale proceeds realised from current portfolio investments to shareholders by way of tax free dividends;

- The remaining cash funds not required for follow-on investments should be used to make new, qualifying investments, within the Company's existing investment policy, enabling the Company to maintain its VCT tax status; such investments would be focused towards relatively lower risk opportunities, where investee companies are more advanced in their development - either generating revenues and able to pay dividends or well positioned for exit in a short time frame.

This new investment strategy reflects the policy recently announced by SPARK VCT 2 plc and it is anticipated that the majority of such new investments would be made in conjunction with that company.

The new policies set out above are likely, over time, to result in the total assets within the Company reducing to a size which is no longer viable, commercially, as an independent entity. Accordingly, the Board remains alert to the possibility of a merger with appropriate VCTs which they would anticipate being able to progress once the Continuation Vote has been held.

Board Changes
Greg Lockwood has indicated that, due to his other commitments, he will be standing down from the Board at the AGM. The Board would like to thank Greg for his valuable contribution during a short and active tenure. Having completed its review of the Company's investments and determined the future strategy, the Directors consider the reduced Board size will meet the Company's future needs.

Dividends
On 31 December 2009, the Company had approximately £9.9m in cash and readily realisable assets. The Board announced on 26 February 2010 that it would be recommending a final dividend for the year to 31 December 2009 of 2p per share for approval by shareholders at the AGM. In proposing this level of dividend the Board was been conscious of the need to retain sufficient cash for a regular dividend stream in the following two years, even if realisation opportunities remain very restricted. There is always a balance to be struck between releasing all cash as soon as it is available and ensuring maintenance of a regular dividend stream. It is the Board's view that the Company's share price, and the interests of the majority of shareholders, will be best supported by regularity over immediacy.

The Board had anticipated declaring a similar dividend of 2p per share after the announcement of the Interim Results. With an improving degree of certainty as to the likely disposal timetable, the Board has decided to bring this dividend forward and accordingly is recommending a final dividend of 4p per share in respect of the year ended 31 December 2009. This dividend, if approved by shareholders, will be paid on 11 June 2010 to shareholders on the register as at 14 May 2010.

Subject to a successful Continuation Vote, it is the Board's intention to provide more regular dividends thereafter, which reflect its new policy to return 75% of realisation proceeds from existing portfolio investments to shareholders.

Once the existing portfolio has been realised and 75% of the proceeds returned to shareholders, the Board intends to adopt a dividend policy which provides a consistent, although lower, income stream for shareholders, reflecting the underlying profitability of its investments.

Share Buybacks
The Board considers that funding tax free cash dividends is a better use of Company funds than share buybacks. Accordingly, it intends to limit any such share purchases to the most extreme circumstances and, in no case, will the cost of buybacks be allowed to exceed 0.5% of opening Net Asset Value in any year.

It is hoped that the new strategy, including the dividend policies, will encourage a more active secondary market in the Company's shares.

Costs
The Board is actively monitoring the costs of the Company's service providers to ensure these are kept as low as is practical. The contractual management fee paid to SPARK Venture Management Limited remains limited to 2% of the Company's Net Asset Value ("NAV") and all costs, including the management fee, are capped at 3.25% of NAV. As the existing portfolio is realised and the proceeds distributed to shareholders, the management fee will be reduced accordingly.

Once the disposal stage has been completed, there may well be opportunities for further cost savings.

Previous Dividend

At the last AGM, we undertook to look at the concerns raised by certain shareholders regarding the level of dividends paid in respect of the year ended 31 December 2007 and the resultant bonus paid to the fund manager. The level of dividend was approved by shareholders at the AGM held in 2008. The Board has carried out a thorough review and, having taken independent legal advice, concluded there is no viable basis for any further action by the Company in respect of these matters.

Outlook

Despite the recent rally in some quoted equity markets, the overall economic outlook remains uncertain. Whilst there have been signs of improvement in certain economic indicators, we do not expect any recovery to be a rapid one and we do not anticipate any dramatic improvement in the conditions effecting the majority of our investments.

Nevertheless, we believe that real value can be extracted from our portfolio over time and that the strategy that we have set out above offers the best opportunity for the Company and its shareholders.

Robin Field
Chairman
31 March 2010

Fund summary as at 31 December 2009

	Industry sector	Accounting Cost [1] £'000	Valuation £'000	Equity % held	% of fund by value
Fifteen largest venture capital investments					
Elateral Holdings Limited [2]	TMT	1,009	1,990	23.4%	8.0%
Imagesound plc	TMT	2,848	1,920	11.7%	7.7%
Sift Group Limited	TMT	2,515	1,638	22.5%	6.5%
UniServity Limited	TMT	1,208	1,208	20.5%	4.8%
Cluster Seven Limited	TMT	1,569	1,197	9.0%	4.8%
Vivacta Limited	Healthcare	1,210	1,145	7.3%	4.6%
Workshare Limited	TMT	695	928	1.9%	3.7%
Level Four Software Limited	TMT	855	855	7.8%	3.4%
Secerno Limited	TMT	1,180	555	8.1%	2.2%
Haemostatix Limited	Healthcare	502	502	12.5%	2.0%
Lab M Holdings Limited [2]	Healthcare	690	440	26.4%	1.8%
Antenova Limited	TMT	1,307	343	4.7%	1.4%
We7 Limited	TMT	816	334	9.2%	1.3%
Academia Networks Limited	TMT	103	280	4.1%	1.1%
Isango! Limited	TMT	1,000	250	15.3%	1.0%
		17,507	13,585		54.3%
Other venture capital investments					
Perpetuum Limited	TMT	686	228	7.0%	0.9%
Community Internet Group Limited [2]	TMT	28	211	19.8%	0.8%
MediGene AG *Frankfurt*	Healthcare	316	160	0.1%	0.6%
Allergy Therapeutics plc *AIM*	Healthcare	772	126	0.3%	0.5%
Atego Limited (formerly Artisan) [2]	TMT	120	120	12.0%	0.5%
Symetrica Limited	TMT	108	114	2.4%	0.5%
TeraView Limited	Healthcare	1,172	100	4.8%	0.4%
Other investments: valuations less than £100,000 (4)		2,105	226		1.0%
		5,307	1,285		5.2%
Total venture capital investments		**22,814**	**14,870**		**59.5%**
Total unquoted venture capital investments		21,004	14,440		57.8%
Total quoted venture capital investments		1,810	430		1.7%
		22,814	14,870		59.5%
Listed fixed interest investments		1,000	1,003		4.0%
Total investments		**23,814**	**15,873**		**63.5%**
Cash and other net assets		9,157	9,157		36.5%
Net assets		**32,971**	**25,030**		**100.0%**

(1) Amounts shown as accounting cost represent the acquisition cost in the case of investments originally made by the Company and/or the valuation attributed to the investments acquired from Quester VCT2 plc and Quester VCT3 plc at the date of the merger in 2005, plus any subsequent acquisition cost, as reduced in certain cases (2) by amounts written of as representing an impairment in value

(2) Cost reduced by amounts written off as representing an impairment in value (Elateral Holdings Limited reduction of £1,117,000, Lab M Holdings Limited of £486,000, Community Internet Group Limited of £698,000 and Atego Limited of £2,002,000)

Details of movements in valuation of the venture capital investments over the twelve months to 31 December 2009 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 417 of the Companies Act 2006 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.

Fund summary

The Fund summary on page 6 lists the venture capital investments held by the Company at 31 December 2009 with their cost and valuation at that date.

The 15 largest venture capital investments held at 31 December 2009 collectively account for 54.3% of the net assets at the balance sheet date; further details of these investments are given on pages 11 to 14.

Portfolio update/ trends during 2009

The venture capital investments of SPARK VCT currently fall into three categories:

"Maturing" venture capital investments:
These are companies with stable and growing revenue streams, achieving profitable trading or very close to it, and with stable cash positions

- investments in this category represent 48.9% of the venture capital portfolio by valuation at 31 December 2009

- examples: **Elateral Holdings Limited, Imagesound plc, Lab M Holdings Limited, Sift Group Limited, Workshare Limited**

"Developing" venture capital investments:
These are companies with developed business models and growing revenue streams, though still facing uncertainties, and breaking through into cash-flow positive trading

- investments in this category represent 24.2% of the venture capital portfolio by valuation at 31 December 2009

- examples: **Antenova Limited, Cluster Seven Limited, Level Four Software Limited, UniServity Limited**

"Early stage" venture capital investments:
These are companies still establishing their business model or, in the case of businesses in the life sciences sector, still at the product development stage

- investments in this category represent 24.0% of the venture capital portfolio by valuation at 31 December 2009

- examples: **Academia Networks Limited, Haemostatix Limited, Isango! Limited, Perpetuum Limited, Secerno Limited, Skinkers Limited, Vivacta Limited, We7 Limited**

In respect of the companies in the first two categories, looking back on 2009 as a whole, the SPARK management team can report generally satisfactory operational progress despite the difficult trading conditions. In some cases, the companies have experienced some reduction in the levels of revenue and profitability (**Sift Group Limited** being an example), while in other cases good growth has been achieved in spite of the trading environment (**Elateral Holdings Limited** and **Workshare Limited** have produced encouraging performances). Individual members of the team have worked closely with managements of investee companies to ensure appropriate cost control and management of cash resources while at the same time focusing strategy and identifying opportunities for future growth. This approach appears to have been successful so far in enabling companies to survive the recession.

The "early stage"companies have suffered far more in the difficult trading environment of the last couple of years. Offering new products and services without an established customer base, these companies have been much more vulnerable to cancellations of contracts and extended sales cycles in this period of economic uncertainty. Particular cases in point are **Isango! Limited, Perpetuum Limited, Skinkers Limited** and **We7 Limited**. The SPARK management team has worked with the company managements on the difficult decisions that have been necessary to secure survival. The provision of additional funding from SPARK VCT has been kept to the minimum consistent with the continuation of the business. Even in this early stage category, however, some businesses have demonstrated encouraging early performance.

Business review (cont.)

During 2009 only a limited amount of additional investment has been committed to the portfolio: this has been focused on follow-on investment where the SPARK management team's conditions regarding the trading position of the company have been met. No new investments were made during the year.

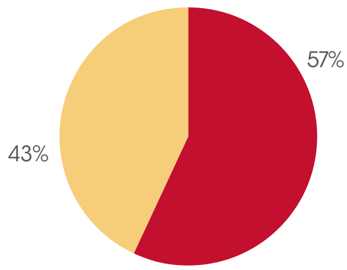
The effect of these trends in 2009, and the limited further investment, has been a substantial downward movement in the reported valuations (-21%). In relation to the "maturing" and "developing" venture capital investments, the decline in valuation has been relatively modest (-6.6%), reflecting the companies' current trading results and currently applicable valuation criteria. For the early stage venture capital investments, on the other hand, the trading conditions, and the stringent approach to the provision of further funding, have in many cases led to substantial write-downs in valuation (-48.6% for this category overall).

Prospects for the current portfolio

SPARK Venture Management Limited took over the management of the Company (then called Quester VCT plc) in May 2007. At that time, the portfolio was composed of 40 investee companies, of which 11 were quoted and 29 unquoted. Given the limited size of the Company and the capital requirements of such a large number of early stage companies, the SPARK management team resolved to reduce the financing risk and concentrate on a smaller number of the more promising candidates. Since then, the number of unquoted companies in the portfolio has been reduced from 29 in 2007 to 18 at the present date, by closing or writing off 10 of them and successfully selling one of them, Nomad Payments Limited, for proceeds of £7,263,000. In the process, the funding requirement for the portfolio has fallen from £10m in the two years leading up to 2007 to £4.2m in the two years subsequent. However, this restructuring exercise and cost control has inevitably led to a reduction in the value of the Company's unquoted portfolio by £3,845,000 (-21%) as funding was withheld from weaker investments.

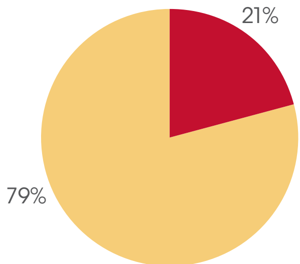
Nevertheless, the SPARK management team believe that the portfolio is now substantially more robust, in spite of the recent market downturn, than would otherwise be the case. In 2007, 80% of the value in the 29 unquoted investments was represented by 14 cases, which had the characteristics, in many cases, of very small sales revenues and negative profitability in terms of EBITDA (earnings before interest, tax, depreciation and amortisation):

- Companies with annual revenues of less than £2.0m: **43% of the top 80% of investments**
- Companies with negative EBITDA: **79% of the top 80% of investments**



Revenues of top 80% May 2007

- Annunal revnues > £2m
- Annunal revnues < £2m

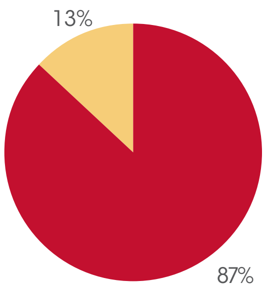


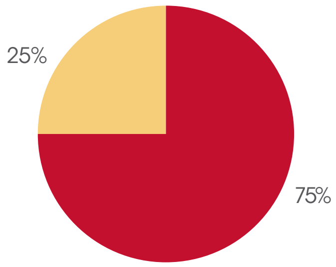
Profitability of top 80% May 2007

- EBITDA positive
- EBITDA negative

By the end of 2009, 80% of the value in the remaining 18 unquoted investments was represented by 8 cases, which had developed the following much healthier profile:

- Companies with annual revenues of less than £2.0m: **now reduced to 13% of the top 80% of investments**
- Companies with negative EBITDA: **now reduced to 25% of the top 80% of investments**





Revenues of top 80% Dec 2009

- Annual revenues > £2m
- Annual revenues < £2m

Profitability of top 80% Dec 2009

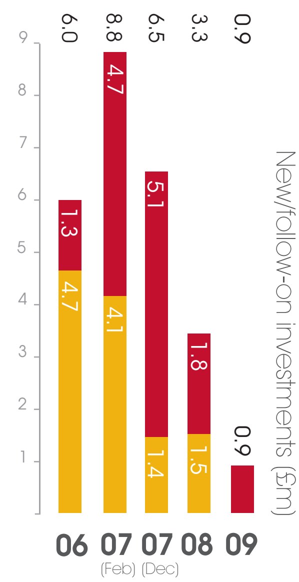
- EBITDA positive
- EBITDA negative

We believe that this puts SPARK VCT plc in a much better position to cope with the current shortage of investment capital and to support more satisfactory returns to shareholders.

Follow-on investments

It has been an objective of the SPARK management team to reduce the portfolio's dependency on outside capital and to ensure prudent management of liquidity within the fund. Accordingly, the year to 31 December 2009 saw only a limited amount of additional investment being committed to the portfolio:

Company	Sector	£'000
Secerno Limited	TMT	202
Sift Group Limited	TMT	120
Skinkers Limited	TMT	122
UniServity Limited	TMT	208
Vivacta Limited	Healthcare	142
Other companies (3)		60
		854



The additional funding of **Secerno Limited**, which specialises in the supply of software and appliances to protect against internal and external threats to databases, was provided to support its market development phase. SPARK VCT subscribed its pro rata share in a rights issue of **Sift Group Limited** to provide additional working capital and replace bank finance (and subsequent to the year end has additionally subscribed £200,000 in a loan instrument with an attractive coupon). In the case of **Skinkers Limited**, a software company delivering information broadcast solutions to large enterprises, the sales cycle had been impacted by the downturn in the financial services sector: SPARK VCT contributed in a follow-on round at a significantly reduced valuation, as part of arrangements which also involved the spin-off of the smaller consumer activity (Livestation) and the focusing of the company on its mainstream activities. The additional funding of **UniServity Limited** was provided as additional working capital ahead of the effect of implementation of cost reductions and the achievement of cash generative trading. Finally, in the case of **Vivacta Limited**, SPARK VCT has committed its share of a new round, structured as an extension of the Series B round completed in November 2007 and expected to fund the company through to regulatory approval of the first of its point-of-care diagnostic tests, for TSH (thyroid function). In all cases except UniServity Limited, where the SPARK-managed funds are the sole institutional investor, the follow-on investments were made alongside third-party syndicate partners.

Realisations

With the M&A market effectively having been being closed during much of the year, it has not been possible to achieve any significant exits. However, £300,000 was returned in cash by one of the portfolio companies, **Community Internet Group Limited**, following the sale of a subsidiary, at a substantially higher valuation than carrying value.

Valuation changes

Valuations of the unquoted investments have been determined under the application of the International Private Equity and Venture Capital Valuation Guidelines. The quoted venture capital investments (shares traded on AIM, the Frankfurt stock exchange and NASDAQ) have been valued at their bid prices at 31 December 2009.

Overall, a reduction in valuation of venture capital investments of £3,891,000 has been recorded for the year, comprising a reduction in valuation of £3,845,000 in respect of unquoted investments and £46,000 in respect of quoted venture capital Investments.

In the case of the "maturing" and "developing" venture capital investments, the valuations have been arrived at having regard 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"). The recent trading results of **Elateral Holdings Limited** supported an upward revaluation of the investment on the basis of an earnings multiple. In the cases of **Antenova Limited** and **Sift Group Limited**, a decline in the valuation reflects a general fall in comparable valuation measures given the current business and market conditions, rather than a dramatic deterioration in the business performance.

The valuations of the "early stage" venture capital investments have been arrived at (i) by reference to the price of recent financing rounds and/or the terms of financing rounds expected within the next 12 months and/or (ii) by reduction of the previous valuation, in cases where progress in product development or early commercialisation has been slower than anticipated. The reduction in the valuation of **We7 Limited** reflects the lower price of a recent investment round. **Academia Networks Limited**, on the other hand, recently succeeded in raising additional third-party funding at an enhanced valuation. Valuation reductions have been applied in the case of other TMT sector companies to reflect slower than expected progress in revenue generation, including **Isango! Limited**, **Perpetuum Limited** and **Skinkers Limited**. The more cautious valuation of **Vivacta Limited** reflects the expectation of a longer manufacturing and commercial development timescale than previously anticipated, as referred to above.

The net reduction in valuation of unquoted venture capital investments is summarised below.

Company	£'000
"Maturing" and "developing" venture capital investments:	
valuation changes principally relating to Antenova Limited, Elateral Holdings Limited and Sift Group Limited	(656)
"Early stage" venture capital investments:	
valuation changes principally relating to Academia Networks Limited, Isango! Limited, Perpetuum Limited, Skinkers Limited, Vivacta Limited and We7 Limited	(3,189)
	(3,845)

Outlook

Current activity on the part of major corporates in considering strategic acquisition opportunities among venture-backed companies suggests evidence of an improving M&A market. We are conscious of the importance of judging the optimal timing of M&A activity in relation to small companies in specialist areas where the number of potential buyers may be limited. Opportunities to capture strategic value in individual cases within the portfolio will therefore be kept under close review. Nevertheless, for the purposes of overall fund planning, we continue to expect that the main flow of realisation proceeds will be concentrated in 2011 and 2012.

SPARK Venture Management Limited

Manager
31 March 2010

Fifteen largest venture capital investments

Elateral Holdings Limited

Accounting cost (1) (as reduced by £1,117,000 being an impariment in value)	£1,009,000
Valuation	£1,990,000
Basis of valuation	Adjusted earnings multiple
Equity held	23.4%
Location	Farnham, UK
Business	Web based marketing automation service developer
History	Quester funds joined an expansion round in 1999, post 3i seed funding
Co-investment	SPARK VCT 2 plc

Audited financial information (2) Year ended 31/3	2009 £'m	2008 £'m
Sales	5.1	3.6
Profit before tax	0.2	0.3
Profit after tax	0.2	0.3
Net liabilities	**(0.4)**	**(0.7)**
Net assets (excluding shareholder loans)	**0.9**	**0.5**

Sift Group Limited

Accounting cost (1)	£2,515,000
Valuation	£1,638,000
Basis of valuation	Industry valuation benchmark
Equity held	22.5%
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 (2) Year ended 31/12	2008 £'m	2007 £'m
Sales	7.1	5.9
Profit/(loss) before tax	0.5	(0.3)
Profit/(loss) profit after tax	0.6	(0.3)
Net assets	**0.6**	**0.1**

Imagesound plc

Accounting cost (1)	£2,848,000
Valuation	£1,920,000
Basis of valuation	Adjusted earnings multiple
Equity held	11.7%
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 (2) Year ended 31/12	2008 £'m	2007 £'m
Sales	9.1	8.8
Loss before tax	(0.5)	(1.1)
Loss after tax	(0.3)	(0.8)
Net assets	**7.9**	**8.0**

UniServity Limited

Accounting cost (1)	£1,208,000
Valuation	£1,208,000
Basis of valuation	Price of investment round
Equity held	20.5%
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 (2) Year ended 31/7	2008 £'m	2007 £'m
Net (liabilities)/assets	**(0.3)**	**0.9**

(1) Amounts shown as accounting cost represent the acquisition cost in the case of investments originally made by the Company and/or the valuation attributed to the investments acquired from Quester VCT 2 plc and Quester VCT 3 plc at the date of the merger in 2005, plus any subsequent acquisition cost as reduced in certain cases by amounts written off as representing an impairment in value.
(2) Audited financial information is from the most recent statutory accounts filed with Companies House.

Cluster Seven Limited

Accounting cost [1]	£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 funds investment in 2005 institutional round, early stage
Co-investment	Quester Venture Partnership and SPARK VCT 2 plc

Audited financial information [2] Year ended 31/12	2008 £'m	2007 £'m
Sales	1.5	2.3
Loss before tax	(1.7)	(2.1)
Loss after tax	(1.7)	(2.1)
Net liabilities	**(3.4)**	**(1.8)**
Net liabilities (excluding shareholder loans)	**(0.6)**	**(0.3)**

Workshare Limited

Accounting cost [1]	£695,000
Valuation	£928,000
Basis of valuation	Industry valuation benchmark
Equity held	1.9%
Location	London, UK
Business	Document comparison and colloboration software, providing risk mangement and security
History	Expansion finance in 2006, Quester sole investor in 2002
Co-investment	Quester Venture Partnership and SPARK VCT 2 plc

Audited financial information [2] Year ended 31/3	2009 $'m	2008 $'m
Sales	26.0	23.8
Loss before tax	(2.6)	(8.4)
Loss after tax	(2.3)	(8.4)
Net liabilities	**(4.3)**	**(0.3)**

Vivacta Limited

Accounting cost [1]	£1,210,000
Valuation	£1,145,000
Basis of valuation	Industry valuation benchmark
Equity held	7.3%
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 [2] Year ended 31/7	2009 £'m	2008 £'m
Sales	–	–
Loss before tax	(4.2)	(3.2)
Loss after tax	(3.8)	(2.8)
Net assets	**4.7**	**5.8**

Level Four Software Limited

Accounting cost [1]	£855,000
Valuation	£855,000
Basis of valuation	Price of investment round
Equity held	7.8%
Location	Dunfermline, 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 [2] 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)**
Net assets (excluding shareholder loans)	**0.3**	**0.1**

(1) Amounts shown as accounting cost represent the acquisition cost in the case of investments originally made by the Company and/or the valuation attributed to the investments acquired from Quester VCT 2 plc and Quester VCT 3 plc at the date of the merger in 2005, plus any subsequent acquisition cost as reduced in certain cases by amounts written off as representing an impairment in value.

(2) Audited financial information is from the most recent statutory accounts filed with Companies House.

Secerno Limited

Accounting cost [1]	£1,180,000
Valuation	£555,000
Basis of valuation	Industry valuation benchmark
Equity held	8.1%
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 [2] Year ended 31/12	2008 £'m	2007 £'m
Net assets/(liabilities)	**0.9**	**(1.1)**

Lab M Holdings Limited

Accounting cost [1] (as reduced by £486,000 being an impariment in value)	£690,000
Valuation	£440,000
Basis of valuation	Industry valuation benchmark
Equity held	26.4%
Location	Bury, UK
Business	Range of microbiological testing products
History	Original investment by Quester VCT in 1998

Audited financial information [2] Year ended 30/4	2009 £'m	2008 £'m
Net assets	**–**	**0.4**

Haemostatix Limited

Accounting cost [1]	£502,000
Valuation	£502,000
Basis of valuation	Price of investment round
Equity held	12.5%
Location	Leicester, UK
Business	Platelet replacement therapies for clotting disorders
History	Lachesis originally invested in 2002 Quester followed in 2005
Co-investment	Lachesis Seed Fund Limited Partnership, Quester Venture Partnership and SPARK VCT 2 plc

Audited financial information [2] Year ended 31/3	2009 £'m	2008 £'m
Net liabilities	**(2.4)**	**(1.3)**

Antenova Limited

Accounting cost [1]	£1,307,000
Valuation	£343,000
Basis of valuation	Industry valuation benchmark
Equity held	4.7%
Location	Cambridge, UK
Business	Developer and supplier of integrated antennas and RF solutions for mobile phones and other wireless devices
History	Quester co-lead of an early stage round in 2001 as part of a larger syndicate
Co-investment	Quester Venture Partnership and SPARK VCT 2 plc

Audited financial information [2] Year ended 31/12	2008 £'m	2007 £'m
Sales	4.1	2.5
Loss before tax	(2.2)	(4.0)
Loss after tax	(1.9)	(3.7)
Net assets	**4.5**	**3.2**

Fifteen largest venture capital investments (cont.)

We7 Limited

Accounting cost (1)	£816,000
Valuation	£334,000
Basis of valuation	Price of investment round
Equity held	9.2%
Location	Oxford, UK
Business	Advert supported music streaming and downloading website
History	Early stage investment made in January 2007
Co-investment	SPARK VCT 2 plc

Audited financial information (2) Year ended 31/12	2008 £'m	2007 £'m
Sales	–	–
Loss before tax	(2.6)	(1.5)
Loss after tax	(0.9)	(1.5)
Net assets/(liabilities)	**2.5**	**(0.3)**

Isango! Limited

Accounting cost (1)	£1,000,000
Valuation	£250,000
Basis of valuation	Industry valuation benchmark
Equity held	15.3%
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 (2) Year ended 31/12	2008 £'m	2007 £'m
Net assets/(liabilities)	**1.3**	**(0.5)**

Academia Networks Limited

Accounting cost (1)	£103,000
Valuation	£280,000
Basis of valuation	Price of investment round
Equity held	4.1%
Location	San Fransisco, USA
Business	Social networking for the academic research community
History	Early stage investment in September 2007
Co-investment	Isis College Fund Limited Partnerships, SPARK Ventures plc and SPARK VCT 2 plc

Audited financial information (2) Year ended 31/12	2008 £'m
Net assets	**0.2**

(1) Amounts shown as accounting cost represent the acquisition cost in the case of investments originally made by the Company and/or the valuation attributed to the investments acquired from Quester VCT 2 plc and Quester VCT 3 plc at the date of the merger in 2005, plus any subsequent acquisition cost as reduced in certain cases by amounts written off as representing an impairment in value.
(2) Audited financial information is from the most recent statutory accounts filed with Companies House.

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 for 85% of net assets to be allocated to a venture capital portfolio designed to achieve capital growth, with the balance to be held in capital-secure liquid markets as a reserve for follow-on financing of companies in the existing venture capital portfolio or to meet the net operating expenses of the Company.

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 (mainly in the TMT and healthcare sectors) and investment stages.

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.

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

David Adams is a corporate consultant providing strategic and transaction advice. He 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 acquistions, fund raising and other corporate transactions. David retired from the legal profession in June 2006 and is currently the non-executive chairman of a private property company.

Andrew Carruthers is Managing Director of SPARK Venture Management Ltd. He 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 been involved in the sale of Nomad Payments Ltd to Metavante Technologies, 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.

Robin Field (Chairman) 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.

Greg Lockwood (Audit Chairman) 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.

All the Directors are non-executive and are independent of the Manager except Andrew Carruthers. At the forthcoming Annual General Meeting Greg Lockwood will resign as a director of the Board. In accordance with the Company's Articles of Association, Andrew Carruthers will retire by rotation from the Board and seek re-election.

Directors' report

The Directors present their report and the audited financial statements for the twelve months to 31 December 2009.

Activities and status

The principal activity of the Company during the period was the making of equity investments, mainly in unquoted companies. On 15 March 2010, the Company was granted annual approval by HM Revenue & Customs as a Venture Capital Trust for the period ended 31 December 2008 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 Daily Official List of the UK Listing Authority since 3 April 1996.

Business review

The Business review which is required by Section 417 of the Companies Act 2006 is set out on page 7 and is included in the Directors' report by reference.

Corporate governance statement

The corporate governance statement which is required by DTR7.2 is set out on pages 21 to 22 and is included in the Directors' report by reference.

Financial results and dividends

The net loss attributable to shareholders for the period ended 31 December 2009 was £4,623,000 (31 December 2008: loss of £4,237,000).

The Directors recommend a final dividend of 4.0p per share in respect of the year ended 31 December 2009.

As at 31 December 2009, the Company had accumulated investment holding losses (net of gains) of £7,941,000 (31 December 2008: £4,842,000) and retained a positive balance on its profit and loss account of £3,852,000 (31 December 2008: positive balance of £4,388,000). During the period, a transfer of £988,000 has been made from the special reserve to the profit and loss account to offset capital losses arising in the period on disposals, being current year losses and unrealised losses of prior years now treated as written off: see note 15.

Share capital

The Directors provide the following information about the Company's securities.

The Company's capital structure is shown in note 14 to the accounts. 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. There are no substantial shareholders in the Company.

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% 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 42.

Purchase and cancellation of shares

During the period 691,004 ordinary shares of 5p each, representing 0.6% of the opening issued share capital, were bought in by the Company for cancellation at a total cost of £78,289. The impact on the net asset value was to increase it by 0.1 pence per share. The purpose of the share buybacks was to satisfy demand from those shareholders who sought to sell their shares during the period, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. The Company may be able to buy back limited volumes of its shares from time to time. However, its ability to do so may be constrained by the level of its own liquid resources, VCT specific legislation and the regulations of the UKLA. In particular, the Board intends to limit share purchases to the most extreme circumstances and, in no case, will the cost of buybacks be allowed to exceed 0.5% of opening net asset value in any year.

Directors

The Directors of the Company who served during the period and their interests in the issued ordinary shares of 5p each of the Company at 31 December 2009, and as at the date of this report, were as follows:

	31 December 2009	31 December 2008*
DY Adams (appointed 30 March 2009)	**–**	–
AB Carruthers	**–**	–
RA Field (Chairman) (appointed 21 January 2009)	**10,911**	10,911
GK Lockwood (appointed 30 March 2009)	**–**	–

* Or date of appointment if later.

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 investment fund management business of SPARK Ventures plc, which includes the provision of invesment management services by SVML to the Company, was subject to a management buyout. Following completion of the MBO on 9 October 2009, SVML has become a subsidiary of SPARK Venture Management Holdings Limited, a company run by the previous executive directors of SPARK Ventures plc. There is no change in the team within SVML responsible for the management of the Company.

The principal terms of the Company's management agreement with SVML as applicable during the period ended 31 December 2009 are set out in note 4 of the financial statements and have not changed throughout the period to 31 December 2009.

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.

During the year, OLIM Limited acted as adviser to the Company in respect of investments in listed equities and fixed interest securities and had limited discretion to manage this portfolio.

Insurance

As provided for in the Company's articles of association, the Company has continued to maintain directors and officers liability insurance up to an indemnity limit of £5 million.

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 49 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 seen by many of the Company's shareholders as being important in judging the return on their investment. The market price of the Company's shares is, in principle, linked to reported net asset value and the market's perception of the potential for future movements in net asset value and for regular future dividend payments. At the present time an overriding factor, however, is the very limited secondary market, a consequence of the tax reliefs available on subscription of new shares in VCTs but not for purchases of existing shares in the market. As a result, the market price of the shares of a VCT typically stands at a discount to reported net asset value. Share buybacks by the VCT itself can represent a source of demand for the shares, in the absence of significant demand from other market participants. In the case of the Company, however, the share buyback transactions undertaken in recent years have not been successful in limiting the level of the share price discount which has continued to be very significant.

The recent review of the future direction of the Company, referred to in the Chairman's statement, has had the aim of determining a strategy that will ensure that investment returns generated from the venture capital portfolio are delivered to shareholders in the most appropriate way. The Board has concluded that, in future, priority will in future be given to the payment of dividends, as and when realisations are achieved. In particular, subject to any tax and regulatory constraints, 75% of the proceeds from any realisations from within the existing venture capital portfolio will be regarded as being available for distribution.

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) and quoted venture capital investments (in equities): 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 results of the Board's recent review of the objective (in terms of the delivery of investment returns to shareholders), strategy and investment performance of the Company are set out in the Chairman's statement.

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

Directors' report (cont.)

Creditor payment policy
The Company's payment policy is to ensure settlement of supplier invoices in accordance with their standard terms. At 31 December 2009 there were no days billings from the suppliers of services outstanding (31 December 2008: nil).

Substantial shareholdings
As at 31 December 2009 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 ("AGM")
The AGM will be held at the offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW at 12:00 noon on Friday 7 May 2010. The Notice of AGM is set out at the end of this document.

Going concern
As discussed in the Chairman's statement, the shareholders will be asked to vote on a resolution at this year's AGM to decide whether or not the Company should continue as a VCT. The Directors are of the opinion that the shareholders will vote in favour of continuing as a VCT because it is the only realistic opportunity for the Company to realise the full value of the investments held. In addition, many investors in SPARK VCT with "rolled over" or "deferred" capital gains would also be significantly disadvantaged if the Company ceased to qualify as a VCT. It is the Board's view that it is in the best interests of shareholders to maintain the Company as a qualifying VCT. The Directors are recommending that shareholders support the Continuation Vote. Directors with share holdings at the time of the AGM will be voting in favour of the Continuation Vote. It is on this basis that the Directors consider that the Company is a 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
31 March 2010

Statement of corporate governance

This statement of corporate governance is required by DTR7.2 and forms part of the Directors' report.

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 2008 and the application of those provisions is set out below.

The Board

The Board currently comprises of four non-executive Directors, RA Field as Chairman, DY Adams, AB Carruthers and GK Lockwood, three of whom are independent of the Manager. Andrew Carruthers is associated with the Manager. Greg Lockwood has stated his intention, due to his other commitments, that he will be standing down from the Board at the Company's forthcoming AGM. The majority of the Board will continue to act independently of the Manager and the Directors consider the reduced Board size will meet the Company's future needs. 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 Audit Committee meetings during the year to 31 December 2009 was as follows:

	Scheduled Board meetings	Scheduled Audit Committee meetings
DY Adams (appointed 30 March 2009)	4/6	1/2
JD Birney (resigned 8 May 2009)	2/6	1/2
AB Carruthers	6/6	n/a
RA Field (Chairman) (appointed 21 January 2009)	6/6	2/2
GK Lockwood (appointed 30 March 2009)	4/6	1/2
TP Sooke (resigned 8 May 2009)	2/6	1/2
CJB Wright (resigned 8 May 2009)	2/6	1/2

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

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, has conducted a 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 AGM. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

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 three or four independent non-executive Directors. The Manager is not represented on the Audit Committee, hence, the Audit Committee is entirely independent of the Manager. Prior to 8 May 2009, the Audit Committee comprised of TP Sooke as Chairman, JD Birney, CJB Wright and RA Field and, subsequent to that date, it comprised of GK Lockwood as Chairman, DY Adams and RA Field. As the Company's Board is small, the Chairman, was also a member of the Audit Committee. Following GK Lockwood's intended resignation from the Board at the forthcoming AGM, DY Adams will take over the chair of the Audit Committee. Written terms of reference have been constituted for the Audit Committee and are available to shareholders on request. The Audit Committee meets at least twice a year to review the half yearly financial report and 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 Audit Committee considers the independence and objectivity of the auditor, Grant Thornton UK LLP, taking into account the tenure of the audit partner and staff and the nature and level of services provided by the auditor. The auditor 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 of the auditor. The Audit Committee receives confirmation from the auditors that they have complied with the relevant UK professional and regulatory requirements on independence. 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 Friday 7 May 2010 when shareholders will have the opportunity to meet the Board. The Notice of Meeting is set out on page 42. 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 8 to the Large & Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. 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 on page 41.

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 year totalled £69,000, (year to 31 December 2008: £55,000) 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 76.4p, 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.

	Year to 31.12.09 £'000	Year to 31.12.08 £'000
DY Adams (appointed 30 March 2009)	**12**	–
JD Birney (resigned 8 May 2009)	**8**	23
AB Carruthers (1)	**–**	–
RA Field (appointed 21 January 2009)	**23**	–
GK Lockwood (appointed 30 March 2009) (2)	**14**	–
TP Sooke (resigned 8 May 2009) (2)	**7**	17
CJB Wright (resigned 8 May 2009)	**5**	15
	69	55

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

(1) AB Carruthers waived his entitlement to Directors' fees for all accounting periods ended on, or prior to, 31 December 2009.

(2) Amounts paid to third parties in respect of services provided by TP Sooke include £925 and by GK Lockwood include £2,020 in their capacity as chairmen 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 was approved by the Board of Directors on 31 March 2010 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 AGM.

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 adequate 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 2006. 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 website (www.sparkvct.com), 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

Robin Field
Chairman
31 March 2010

Income statement for the year to 31 December 2009

	Notes	Year ended 31.12.09 Revenue £'000	Year ended 31.12.09 Capital £'000	Year ended 31.12.09 Total £'000	Year ended 31.12.08 Revenue £'000	Year ended 31.12.08 Capital £'000	Year ended 31.12.08 Total £'000
Loss on valuation of investments at fair value through profit or loss	11(d)	–	(3,933)	(3,933)	–	(2,862)	(2,862)
Loss on disposal of investments at fair value through profit or loss	11(d)	–	(40)	(40)	–	(292)	(292)
Income	2	241	–	241	784	–	784
Recoverable VAT	3	–	–	–	322	–	322
Investment management fee:							
annual fee	4	(549)	–	(549)	(734)	–	(734)
performance incentive fee	5	–	–	–	–	(1,040)	(1,040)
Other expenses	6	(342)	–	(342)	(415)	–	(415)
Loss on ordinary activities before taxation		(650)	(3,973)	(4,623)	(43)	(4,194)	(4,237)
Tax on loss on ordinary activities	8	–	–	–	–	–	–
Loss on ordinary activities after taxation		(650)	(3,973)	(4,623)	(43)	(4,194)	(4,237)
Basic and fully diluted loss per share	10	(0.6)p	(3.6)p	(4.2)p	–	(3.7)p	(3.7)p

The 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return have been prepared under guidance published by the Association of Investment Companies.

All revenue and capital 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 income statement of the Company.

The accompanying notes are an integral part of this statement.

Balance sheet as at 31 December 2009

	Notes	31 December 2009 £'000	31 December 2008 £'000
Fixed assets			
Investments at fair value through profit or loss	11(a)	**15,873**	21,333
Current assets			
Debtors	12	**457**	1,936
Cash at bank		**8,900**	6,965
		9,357	8,901
Creditors: amounts falling due within one year	13	**(200)**	(503)
Net current assets		**9,157**	8,398
Net assets		**25,030**	29,731
Capital and reserves			
Called-up equity share capital	14	**5,519**	5,553
Share premium account	15	**150**	150
Capital redemption reserve	15	**765**	731
Special reserve	15	**22,685**	23,751
Investment holding losses	15	**(7,941)**	(4,842)
Profit and loss account	15	**3,852**	4,388
Total equity shareholders' funds		**25,030**	29,731
Net asset value per share	16	**22.7p**	26.8p

The financial statements on pages 25 to 40 were approved by the Directors on 31 March 2010 and were signed on their behalf by:

Robin Field
Chairman

The accompanying notes are an integral part of this statement.

Cash flow statement for the year to 31 December 2009

	Notes	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Cash inflow/(outflow) from operating activities	17	**529**	(2,564)
Financial investment			
Purchase of venture capital investments	11(b)	**(854)**	(3,299)
Purchase of listed equities and fixed interest investments		**–**	(1,488)
Sale of venture capital investments	11(b)	**396**	7,928
Sale/redemption of listed equity and fixed interest investments	11(b)	**1,850**	8,269
Amounts recovered from investments previously written off	11(d)	**92**	410
Total net financial investment		**1,484**	11,820
Equity dividends paid	9	**–**	(3,135)
Financing			
Buyback of ordinary shares	14	**(78)**	(573)
Total financing		**(78)**	(573)
Increase in cash for the period		**1,935**	5,548
Reconciliation of net cash flow to movement in net funds			
Increase in cash for the period		**1,935**	5,548
Net funds at the start of the period		**6,965**	1,417
Net funds at the end of the period		**8,900**	6,965

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 2009

	Called-up equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Investment holding losses £'000	Profit and loss account £'000	Total £'000
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	–
Investment holding loss on valuation 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
Shares purchased for cancellation	(34)	–	34	(78)	–	–	(78)
Realisation of prior years' net unrealised losses on investments	–	–	–	–	834	(834)	–
Transfer from special reserve to profit and loss account	–	–	–	(988)	–	988	–
Investment holding loss on valuation of investments	–	–	–	–	(3,933)	3,933	–
Loss on ordinary activities after taxation	–	–	–	–	–	(4,623)	(4,623)
Dividends	–	–	–	–	–	–	–
At 31 December 2009	**5,519**	**150**	**765**	**22,685**	**(7,941)**	**3,852**	**25,030**

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

The Financial statements have been prepared under the historical cost convention, except for the measurement of fair value of investments, and in accordance with applicable UK accounting standards and the Statement of Recommended Practise 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009. As disclosed in the Directors' report on page 20, the accounts are prepared on a going concern basis.

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:

- Listed and other quoted investments are valued at their bid prices at the close of the period as issued by the London Stock Exchange; investments listed or quoted 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 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

Gains and losses arising from changes in the fair value of the investments are included in the Income statement for the period as a Capital item and are allocated to the Investment holding losses.

Income

Dividends receivable on quoted 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. Income from fixed interest securities and deposit interest is included on an effective interest rate basis.

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 buyback of shares are charged to the special reserve.

All other expenses including management fees are presented within the Revenue column of the Income statement.

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 such assets 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 Investment holding losses.

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

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Dividend income		
– Listed companies	**–**	167
Interest receivable		
– Listed fixed interest securities	**103**	202
– Loans to venture capital investee companies	**50**	72
– Bank deposits	**8**	74
– VAT reclaim	**21**	–
Other income (global treasury fund)	**59**	269
	241	784

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.

In the income statement to 31 December 2008, the Company recognised VAT recoverable of £322,000. During the year to 31 December 2009, the Manager received a repayment of £322,000 from HMRC, which was passed on to the Company. 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

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Investment management fee	**549**	671
Irrecoverable VAT	**–**	63
	549	734

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 Management Holdings Limited, 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. There was no reduction in the management fee in respect of the cap (31 December 2008: nil).

Irrecoverable VAT was charged on the investment management fee up to 30 September 2008. In line with the ruling against HMRC, (see note 3), no further VAT was charged after this point.

SVML also provides administrative and secretarial services to the Company for which it was entitled to a fee of £66,000 for the year (31 December 2008: £65,000) 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.

At an Extraordinary General Meeting of the Company on 1 July 2008, the shareholders approved the new management performance incentive arrangements. However, the new management performance incentive arrangements have yet to be implemented by the entry by the Company into the loan note instrument and the issue of loan notes (being the mechanism for implementation of the performance incentive scheme). If the performance incentive scheme were implemented, rewards under the performance incentive scheme would be paid each year, based on year-on-year total returns (net asset values plus cumulative dividends paid) achieved in excess of a hurdle return of 5 per cent. of the opening net asset value each year, starting from the net asset value at 31 December 2007, and would be calculated as 20 per cent. of that excess. In circumstances in which growth in the year-on-year total return results in an entitlement arising under the management performance incentive arrangements, the Board would also expect to pay a dividend.

6 Other expenses

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Administrative and secretarial services	**66**	65
Directors' remuneration (note 7)	**69**	55
Auditor's remuneration		
– Fees payable to the Company's auditor for audit of the financial statements	**17**	17
– Fees payable to the Company's auditor and its associates for other services relating to tax	**8**	8
Legal and professional expenses	**47**	31
Insurance	**28**	28
Management fees payable to OLIM Limited	**11**	39
Transaction costs	**–**	15
Irrecoverable VAT	**30**	32
Payment on account to HMRC (see below)	**–**	31
Other	**66**	94
	342	415

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 former Directors of SPARK VCT and the companies that merged into it. Payments were historically made to Directors' service companies rather than being treated as salary with PAYE deducted. The 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 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 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 made a payment on acccount of £31,000 which was accrued in the accounts for the year to 31 December 2008.

From 1 January 2009 all directors' fees are paid as salary with PAYE and National Insurance deducted.

7 Directors' remuneration

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Amounts payable to Directors or companies associated with them	**69**	55
	69	55

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

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Corporation tax	**–**	–
	–	–

Reconciliation of loss on ordinary activities to taxation

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Loss on ordinary activities before taxation	**(4,623)**	(4,237)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (31 December 2008: 28.5%)	**(1,294)**	(1,208)
Effects of:		
Non taxable items – UK dividends and net losses on investments	**1,112**	851
Unutilised management expenses	**182**	357
	–	–

The Company has excess trading losses of £8,059,000 (31 December 2008: £7,409,000) that are available for offset against future profits. A deferred tax asset of £2,257,000 (31 December 2008: £2,075,000) 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

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Final dividend paid, period ended 31 December 2007: 2.8p per share paid 15 October 2008	**–**	3,135
	–	3,135

The total reserves available for distribution by way of a dividend is £18,596,000 (31 December 2008: £23,297,000), being made up of the Special reserve, and Profit and loss account less Investment holding losses.

The directors propose a final dividend of 4.0 pence per share for the year ended 31 December 2009, to be approved at the AGM.

10 Earnings per share

The revenue loss per share of 0.6p (31 December 2008: loss 0p) is based on the revenue loss on ordinary activities after tax of £650,000 (31 December 2008: loss £43,000) and on the weighted average number of ordinary shares in issue during the period of 110,631,989 (31 December 2008: 112,145,822).

The capital loss per share of 3.6p (31 December 2008: loss 3.7p) is based on the capital loss on ordinary activities after tax of £3,973,000 (31 December 2008: loss £4,194,000) and on the weighted average number of ordinary shares in issue during the period of 110,631,989 (31 December 2008: 112,145,822).

The total loss per share of 4.2p (31 December 2008: loss 3.7p) is based on the loss on ordinary activities after tax of £4,623,000 (31 December 2008: loss £4,237,000) and on the weighted average number of ordinary shares in issue during the period of 110,631,989 (31 December 2008: 112,145,822).

There is no dilution effect in respect of the period ended 31 December 2009 (31 December 2008: nil).

Notes to the financial statements (cont.)

11 Investments

11(a) Summary of investments

	31.12.09 £'000	31.12.08 £'000
Venture capital investments	**14,870**	18,435
Listed fixed interest investments	**1,003**	2,898
	15,873	21,333

11(b) Movements in investments

	Venture capital investments £'000	Listed fixed interest investments £'000	Total £'000
Cost at 1 January 2009	23,321	2,854	26,175
Investment holding (losses)/gains at 1 January 2009	(4,886)	44	(4,842)
Valuation at 1 January 2009	18,435	2,898	21,333
Movements in the period:			
Purchases at cost	854	–	854
Disposals			
– proceeds	(396)	(1,850)	(2,246)
– realised net losses on disposal	(132)	–	(132)
Amortisation of fixed interest investments	–	(3)	(3)
Net loss on valuation of investments	(3,891)	(42)	(3,933)
Valuation at 31 December 2009	**14,870**	**1,003**	**15,873**
Book cost at 31 December 2009	22,814	1,000	23,814
Investment holding (losses)/gains at 31 December 2009	(7,944)	3	(7,941)
Valuation at 31 December 2009	**14,870**	**1,003**	**15,873**

Amounts shown at cost represent the fair value of 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 01.01.09 £'000	Additions £'000	Disposals £'000	Investment holding gains/(losses) £'000	Valuation at 31.12.09 £'000
Fifteen largest venture capital investments					
Elateral Holdings Limited	1,783	–	–	207	1,990
Imagesound plc [1]	1,920	–	–	–	1,920
Sift Group Limited	2,248	120	–	(730)	1,638
UniServity Limited	1,000	208	–	–	1,208
Cluster Seven Limited	1,197	–	–	–	1,197
Vivacta Limited	1,337	142	–	(334)	1,145
Workshare Limited	909	–	–	19	928
Level Four Software Limited	855	–	–	–	855
Secerno Limited	688	202	–	(335)	555
Haemostatix Limited	502	–	–	–	502
Lab M Holdings Limited	440	–	–	–	440
Antenova Limited	495	–	–	(152)	343
We7 Limited	816	–	–	(482)	334
Academia Networks Limited	51	53	–	176	280
Isango! Limited	1,000	–	–	(750)	250
	15,241	725	–	(2,381)	13,585
Other unquoted venture capital investments	2,724	123	(528)	(1,464)	855
Other quoted venture capital investments	470	6	–	(46)	430
	18,435	**854**	**(528)**	**(3,891)**	**14,870**

Transaction costs relating to purchase or sale of venture capital investments are not capitalised

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

FRS 29 analysis	£'000
Level 1:	
Quoted venture capital investment[2]	430
Listed fixed interest investments[2]	1,003
Level 3:	
Unquoted venture capital investments	14,440
	15,873

(2) All level 1 investments are in an active market.

Level 3 reconciliation	£'000
Valuation at 1 January 2009	17,965
Purchases at cost	848
Disposals	
– proceeds	(396)
– realised net losses on disposal[3]	(132)
Investment holding losses[4]	(3,845)
Valuation at 31 December 2009	**14,440**

(3) Realised net losses on disposal are included within "Loss on disposal at fair value through profit or loss" in the Income statement.
(4) Investment holding losses are included within "Loss on valuation of investments at fair value through profit or loss" in the Income statement.

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:

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Loss on valuation of investments at fair value through profit or loss		
Net loss on valuation of investments	**(3,933)**	(1,903)
Write-off of investments	**–**	(959)
	(3,933)	(2,862)
Loss on disposal of investments at fair value through profit or loss		
Net loss on disposals	**(132)**	(702)
Recoveries made in respect of investments previously written off	**92**	410
	(40)	(292)
	(3,973)	(3,154)

"Net loss on disposals" represents the difference between proceeds received and the carrying values of those investments sold during the period.

11(e) Significant holdings

Details of shareholdings in those companies where the Company's holding at 31 December 2009 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
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	'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%
UniServity Limited	Ordinary shares	10,255	6.5%
	A Ordinary shares	35,896	41.7%
	B Ordinary share	18,540	41.7%

12 Debtors

	31.12.09 £'000	31.12.08 £'000
Other debtors	**349**	1,811
Prepayments and accrued income	**108**	125
	457	1,936

13 Creditors (amounts falling due within one year)

	31.12.09 £'000	31.12.08 £'000
Accruals	**85**	345
Other creditors	**115**	158
	200	503

14 Called-up equity share capital

	31.12.09 £'000	31.12.08 £'000
Authorised:		
200,000,000 (31.12.08: 200,000,000) ordinary shares of 5p	**10,000**	10,000
Allotted, issued and fully paid:		
110,370,134 (31.12.08: 111,061,138) ordinary shares of 5p	**5,519**	5,553

The Company bought back for cancellation 691,004 ordinary shares, representing 0.6% of the opening issued share capital, at a cost of £78,289.

15 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Investment holding losses £'000	Profit and loss account £'000
At 1 January 2009	150	731	23,751	(4,842)	4,388
Shares purchased for cancellation	–	34	(78)	–	–
Realisation of prior years' net losses on investments	–	–	–	834	(834)
Transfer from special reserve to profit and loss account	–	–	(988)	–	988
Investment holding loss on valuation of investments	–	–	–	(3,933)	3,933
Loss on ordinary activities after taxation	–	–	–	–	(4,623)
Dividends	–	–	–	–	–
At 31 December 2009	**150**	**765**	**22,685**	**(7,941)**	**3,852**

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

The special reserve is a distributable reserve, created on 3 November 2000 following the reduction of the share premium account, which allows the Company, amongst other things, to fund the buyback 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 for investments that have been fair valued to zero with no chance of recovery, the cost of these investments.

Accordingly, a transfer of £988,000 (including £132,000 representing losses on disposal of investments during the period and £856,000 representing losses of previous years now treated as realised or written off) 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 investment holding losses.

16 Net asset value per share

The net asset value per share as at 31 December 2009 of 22.7p (31 December 2008: 26.8p) is based on net assets of £25,030,000 (31 December 2008: £29,731,000) divided by the 110,370,134 ordinary shares in issue at that date (31 December 2008: 111,061,138).

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

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Loss on ordinary activities before tax	**(4,623)**	(4,237)
Loss on investments at fair value through profit or loss	**3,973**	3,154
Decrease/(increase) in debtors	**1,479**	(1,759)
(Decrease)/increase in creditors	**(303)**	291
Amortisation of fixed interest investments	**3**	(13)
Cash inflow/(outflow) from operating activities	**529**	(2,564)

18 Commitments and guarantees

As at 31 December 2009, there were no legal commitments (31 December 2008: £nil) in respect of further funding to be provided to existing investee companies. There were no guarantees outstanding (31 December 2008: £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 and listed fixed interest securities held for follow-on financing and new venture capital investment and debtors and creditors that arise directly from its operations. At 31 December 2009, 59.5% (£14.9 million) of the Company's net assets were invested in venture capital investments and 40.5% (£10.2 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 currency equivalent (2008: same). Interest on listed fixed interest securities and on loans to venture capital investee companies is at a fixed rate. With interest income of £161,000 to 31 December 2009, 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 2.5% (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 0.34p per share (2008: movement of 1.9% would affect net asset value by 0.32p 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 40.5% of the investment portfolio invested in cash, short-term debtors and creditors and readily realisable securities, which are sufficient to meet any funding commitments that may arise. As at the period end, the Company had no borrowings.

Credit risk

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:

	31.12.09 £'000	31.12.08 £'000
Investment in fixed interest instruments	**1,003**	2,898
Cash and cash equivalents	**8,900**	6,965
	9,903	9,863

This 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 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 process 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 total return to shareholders (net asset value plus cumulative dividends paid). As a result of the recent strategy review, this objective has been varied from the previous accounting year: in future, within the components of total return, priority will be given to the payment of dividends as and when realisations are achieved. In particular, subject to any tax or regulatory constraints, 75% of the proceeds from any realisations from within the existing venture capital portfolio will be regarded as available for distribution. It is likely, therefore, that the net asset value of the fund will decline as dividends are paid, although to the extent that investments are realised at amounts in excess of the valuations at 31 December 2009, and subject to the ongoing operating costs of the fund, total return will increase.

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 2009 is £25.0 million (31 December 2008: £29.7 million) as shown in the Balance sheet, which includes the Company's share capital and reserves.

Following the Board's recent strategy review, the dividend policy of the Company will now be as set out above. Owing to the nature of a VCT, dividends payable may vary considerably from time to time depending, both on the level of income received from investments and, more significantly, on whether realisations of investments have been achieved. Accordingly the level of dividends will fluctuate and in some periods it is possible that no dividend will be paid.

As regards share buybacks, following the strategy review the Board has determined that the Company will continue to be willing to make buybacks of limited volumes of its shares but expects that, going forward, the budget made available to fund buybacks will be more tightly restricted than in previous years.

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 2009, fees of £26,000 attributable to the investments of the Company were received pursuant to these arrangements (31 December 2008: £31,000).

There were no transactions, during the year, by Directors in investments in which SPARK VCT plc has invested (31 December 2008: nil).

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
Celldex Therapeutics, Inc.	QVP and SVCT 2
Cluster Seven Limited	QVP and SVCT 2
Elateral Holdings Limited	SVCT 2
Haemostatix Limited	Lachesis, QVP and SVCT 2
Imagesound plc	SVCT 2
Isango! Limited	SPK and SVCT 2
Level Four Software Limited	QVP and SVCT 2
MediGene AG	ICF, QVP and SVCT 2
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.

After the year end, £21,000 was obtained from HMRC being interest on the VAT reclaim made in 2008. This amount has been accrued at the year end.

Report of the independent auditor to the members of SPARK VCT plc

We have audited the financial statements of SPARK VCT plc for the year ended 31 December 2009 which comprise the income statement, balance sheet, cash flow statement, reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors

As explained more fully in the Directors' responsibility statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 20, in relation to going concern; and
- the part of the Corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
31 March 2010

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of SPARK VCT plc (the "Company") will be held at the offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW at 12:00 noon on Friday 7 May 2010 for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 7 will be proposed as ordinary resolutions and numbers 8 to 11 will be proposed as special resolutions.

1. To receive, consider and adopt the annual report and accounts for the year ended 31 December 2009, 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 2009.

3. To declare a final dividend of 4.0p per share in respect of the year ended 31 December 2009.

4. To re-elect Andrew Carruthers as a Director.

5. To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the Directors to fix its remuneration.

6. That the Company shall continue as a Venture Capital Trust pursuant to Article 165 of the Company's Articles of Association.

7. Authority to allot shares.

That for the purposes of section 551 of the Companies Act 2006 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):

(a) the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to an aggregate nominal amount of £1,839,502.23 to such persons and at such times and on such terms as they think proper during the period expiring at the end of five years from the date of the passing of this resolution (unless previously revoked or varied by the Company in general meeting); and

(b) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the Directors pursuant to section 80 of the Companies Act 1985 be and are hereby revoked and to the extent that any restriction on the Directors' authority to allot shall apply to the Company by virtue of the operation of paragraph 42(2)(a) of the Companies Act 2006 (Commencement No.8, Transitional Provisions and Savings) Order 2008, such restriction shall be and is hereby revoked in accordance with paragraph 42(2)(b) of that Order.

8. Authority for the disapplication of pre-emption tights
That, subject to the passing of resolution 7, in accordance with section 570 of the Act, the Directors be and they are hereby empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution as if section 561(1) and sub-sections (1) – (6) of section 562 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 or stock exchange 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 £275,925.34;

and this power, unless renewed, shall expire on the date five years from the date of the passing of this resolution 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.

9. 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 701 of the Act to make one or more market purchases (within the meaning of section 693 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 11,037,013;

(b) the minimum price which may be paid for an Ordinary Share is 5p;

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for an Ordinary Share taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the trading venue where the purchase is carried out;

(d) unless previously renewed or revoked, the authority hereby conferred shall expire on the date which is the earlier of fifteen months from the date of this resolution and the date of the AGM of the Company in 2011; 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.

10. Notice of general meetings

That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.

11. Adoption of new Articles of Association

That the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the current Articles of Association of the Company as adopted on 18 June 2008.

By order of the Board
NT Tran
Secretary

33 Glasshouse Street
London W1B 5DG
31 March 2010

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, PXS, 34 Beckenham Road, Beckenham BR3 4TU by not later than 12:00 noon on 5 May 2010. Completion of a form of proxy will not affect the right of a shareholder to attend and vote at the meeting.
3. Only those shareholders entered on the shareholder register of the Company at 12:00 noon on 5 May 2010 or, in the event that this meeting is adjourned, on the shareholder register as at 12 noon on the day two days before the date of any adjourned meeting, will be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the shareholder register after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
4. Copies of Directors' service contracts are available for inspection at the Company's registered office, 33 Glasshouse Street, London, W1B 5DG, during normal business hours (public holidays excluded) and will be made available for inspection at the place of the AGM 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.

Explanation of the proposed resolutions

Further explanations of the following resolutions proposed to be put to the shareholders at the AGM are now provided:

To continue the Company as a Venture Capital Trust (Resolution 6 – ordinary resolution)

Pursuant to Article 165 of the Company's Articles of Association, this resolution proposes that the Company continues as a qualifying Venture Capital Trust. The Board believes that it is the only realistic opportunity for the Company to realise the full value of the investments held and that it is in the best interests of shareholders to maintain the Company as a qualifying Venture Capital Trust. Accordingly, the Directors are recommending that shareholders support this resolution.

Authority to allot shares (Resolution 7 – ordinary resolution)

This resolution proposes to renew the Directors' authority to allot additional shares of the Company up to an aggregate nominal amount of £1,839,502.23, which represents one-third of the issued ordinary share capital of the Company. The Directors have no present intention to exercise this authority. The authority will lapse five years after it is granted.

Authority for the disapplication of pre-emption rights (Resolution 8 – special resolution)

This resolution proposes to renew the Directors' power to allot equity securities for cash up to an aggregate nominal amount of £275,925.34 (being 5% 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 9 – special resolution)

This resolution proposes to renew the existing power of the Company to purchase its own shares up to a maximum number of 11,037,013 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 can enhance the net asset value per share for the Company's remaining shareholders, and 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 and would enhance the Company's net assets per share. In particular, in keeping with the terms of the Company's strategy update issued on 26 February 2010, the Directors intend that the aggregate value of any purchases by the Company of its own shares in any given financial year pursuant to the authority granted in Resolution 9 will not exceed 0.5% of the Company's published net asset value as at the commencement of that financial year. The maximum price that may be paid for an ordinary share will be an amount equal to the higher of (i) 5% above the average of the middle market quotations for an ordinary share taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out. Shares that are purchased will be cancelled.

Notice of general meetings (Resolution 10 – special resolution)

This resolution seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 days' clear notice. This is permissible under the existing Articles of Association of the Company and the Companies Act 2006. However, pursuant to The Companies (Shareholders' Rights) Regulations 2009 specific shareholder approval is required annually in order to retain this ability. The Directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. Accordingly, the Directors believe that it is important for the Company to retain this flexibility.

The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Adoption of new articles of association (Resolution 11 - special resolution)

This resolution proposes to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006 and also the coming into force of The Companies (Shareholders' Rights) Regulations 2009.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or conform the language of the New Articles with that used in the model articles for public companies set out in secondary legislation have not been noted in the summary below. The New Articles showing all the changes to the Current Articles are available for inspection at the Company's registered office.

Explanatory notes of the principal changes to the Company's Articles of Association

The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 from 1 October 2009 the objects clause and all other provisions which are currently contained in a company's memorandum for existing companies have been deemed to be contained in a company's articles of association but the company can remove some of these provisions by special resolution.

The Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause which, by virtue of the Companies Act 2006, has been treated as forming part of the Company's Articles of Association since 1 October 2009. Resolution 11 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability and the location of the Company's registered office, the New Articles also contain express provisions reflecting these statements.

Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 have been amended in the New Articles to bring them into line with the Companies Act 2006, or removed altogether where appropriate. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

Redeemable shares

Under the Companies Act 1985 if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

Authority to consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985 a company required specific enabling provisions in its articles to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

Use of seals
Under the Companies Act 1985 a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006 such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

Suspension of registration of share transfers
The Current Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

Vacation of office by directors
The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies set out in secondary legislation.

Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles reflect these changes.

Voting by corporate representatives
The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles reflect these amendments.

Chairman's casting vote
The New Articles remove the provision giving the Chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

Notice of general meetings
The Shareholders' Rights Regulations amend the Companies Act 2006 to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Current Articles to be consistent with the new requirements.

Adjournments for lack of quorum
Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

Contacts

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Greg Lockwood

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Nghi Tran

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(Calls to Capita Registrars cost 10p
per minute plus network extras)

Bankers
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London E14 5PP

The Royal Bank of Scotland
280 Bishopsgate
London EC2M 4RB

Shareholder information

Annual General Meeting **12:00 noon on Friday 7 May 2010**

The notice of AGM is contained in this report. A proxy form is enclosed with this report. To be valid, completed proxy forms should be returned to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, no later than 12:00 noon on Wednesday 5 May 2010.

Dividend

The Directors have recommended a final dividend of 4.0p per share in respect of the year ended 31 December 2009. If approved by shareholders at this year's AGM, the following dates will be relevant:

Payment date	11 June 2010
Ex-dividend date	12 May 2010
Associated record date	14 May 2010

Share price and net asset value announcements

The Company's ordinary shares admitted on the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange. Share price information can be obtained from many financial websites.

The Company announces changes in its net asset value on a quarterly basis. However, no announcements are made in respect of year end net asset values until the audited results are available. The Half Yearly Financial Report and the Interim Management Statements are not 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 buybacks

There is a very limited secondary market for shares in Venture Capital Trusts generally. The Company may be able to buy back limited volumes of its shares from time to time. However, its ability to do so is, or may be, constrained by the level of its own liquid resources, VCT specific legislation and the regulations of the UKLA. In particular, in keeping with the terms of the Company's strategy update issued on 26 February 2010, the Directors intend that the aggregate value of any purchases by the Company of its own shares in any given financial year will not exceed 0.5% of the Company's opening net asset value of that financial year. Shareholders seeking to sell their shares should contact the Company's stockbroker, Execution Noble Limited, on 0203 364 6731.

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

To access details of shareholdings, please contact Capita Registrars on 0871 664 0300.

Company news, latest announced NAVs and financial reports can be found on the Company's 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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