SPARK
VCT PLC

Half Yearly Financial Report 2009

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. From time to time the portfolio may include quoted equities and fixed interest securities.

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

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

Investment in Venture Capital Trusts 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

Per ordinary share (pence)	30.06.09	31.12.08	30.06.08
Net asset value	24.3	26.8	28.7
Dividends			
Dividend paid (1)	–	2.8	2.8
Cumulative dividend (2)	53.7	53.7	53.7
Total return (3)			
SPARK VCT plc	78.0	80.5	82.4
Return including tax benefits (6)	98.0	100.5	102.4
Total return to former shareholders of:			
Quester VCT 2 plc per 100p invested in shares of that company (4)	63.9	66.5	68.4
Return including tax benefits (6)	83.9	86.5	88.4
Quester VCT 3 plc per 100p invested in shares of that company (5)	37.7	40.1	41.9
Return including tax benefit (6)	57.7	60.1	61.9

(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 former shareholders in Quester VCT 2 plc, launched in March 1998, which merged with SPARK VCT plc (then called Quester VCT plc) in June 2005, the share exchange ratio for former shareholders in Quester VCT 2 plc being 1.0249.
(5) Total return to former shareholders in Quester VCT 3 plc, launched in February 2000, which merged with SPARK VCT plc (then called Quester VCT plc) in June 2005, the share exchange ratio for former shareholders in Quester VCT 3 plc being 0.9816.
(6) Return after 20% income tax relief but excluding capital gains deferral.

The Directors do not recommend an interim dividend.

The Interim management report comprises the Chairman's statement, the Investment manager's report, the fund summary and note 8 to the condensed financial statements.

Chairman's statement

Introduction

This is my first report to shareholders since your new Board was confirmed in office at the Annual General Meeting in May 2009.

Since then, your Board has been gaining a deeper understanding of the portfolio, in particular the unquoted venture investments, assessing the Manager's and other service providers' performance and considering the Company's strategy both in the short and the long term. We are also addressing certain issues that arose in the period before we took office, as shareholders requested at the Annual General Meeting.

SPARK Ventures plc, the parent company of the Company's manager, SPARK Venture Management Limited, recently announced a proposal for a management buyout of its investment fund management business, which includes the contract for the provision of investment management services to the Company. SPARK Ventures plc also announced proposals for a change to its investment strategy, including the cessation of new investments on its own account. The latter proposals have been approved by its shareholders but the vote to approve the proposed buyout of its fund management business was adjourned. Following third party expressions of interest in acquiring SPARK Ventures plc it has also entered into an offer period. Presently, the outcome of these developments is uncertain. Your Board continues to monitor the situation closely, with a view to ensuring that the interests of shareholders in the Company are best served. We will update shareholders further once we are in a position to do so.

Performance

Shareholders will be aware that financial markets remain deeply troubled. Despite the rise in some quoted equity prices since March 2009, corporate liquidity remains very tight and trading in very many sectors remains subdued. Early stage companies of the sort to which much of venture capital trust investment is restricted are suffering an unusually difficult time. Slow trading tends to delay their break even point and often forces them to raise more capital, bank finance of all sorts is severely restricted, and equity investors are wary.

In the portfolio, many of the less established, early stage companies are currently operating at a severely reduced level of activity while others remain vulnerable to slower than expected sales growth and a consequent need for more capital than previously anticipated to support market development. Even solid companies with proven business models frequently find that in raising fresh capital they have to accept lower valuations than those that were placed on them as recently as twelve months ago. Over the six months to 30 June 2009, the focus of the Manager has been on working with the portfolio companies, with a particular emphasis on cost control and rates of cash burn.

There have been no realisations in the 6 months to 30 June 2009. In view of the poor visibility on future realisations, no new investments have been made in the period under review and we do not anticipate any new investments being made prior to the next Annual General Meeting.

With these factors in mind we have reviewed the carrying values of our unquoted portfolio. The result of this review, and of changes elsewhere in the portfolio, has reduced net asset value from 26.8 pence per share on 31 December 2008 to 24.3 pence per share on 30 June 2009.

Clearly such a reduction is disappointing. However, in the case of Sift Group Limited, the valuation change reflects a general fall in comparable valuation measures, rather than a dramatic deterioration in that company's performance. The reductions in the valuations of Isango! Limited and We7 Limited have been made against the background of difficult trading in very tough markets and the upcoming requirement in each company to raise the next round of venture capital finance and the possibility that such finance will only be available on more stringent terms than hitherto. As announced in the Interim Management Statement on 19 May 2009, Skinkers Limited had earlier in the year faced a similar requirement for additional finance at a significantly reduced valuation which has resulted in the lower valuation. Further information on the valuation changes is given in the Investment manager's report on pages 6 to 8.

Such a reduction in the net asset value per share, following several years of similar attrition, can never be good news for shareholders but we are convinced that all parties will benefit from a realistic approach to valuations in these present difficult times.

Net assets

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 gain on disposal of investments	60	–	60	–
Net loss on revaluation of investments	(2,445)	(17)	(2,462)	(2.2)
Income	–	131	131	0.1
Operating expenses	–	(483)	(483)	(0.4)
Net investment	(8)	8	–	–
Net assets before dividends and share buy-backs	**16,042**	**10,935**	**26,997**	**24.3**
Dividend paid	–	–	–	–
Share buy-backs	–	(56)	(56)	–
Net asset value at 30 June 2009	**16,042**	**10,879**	**26,921**	**24.3**

Strategy

The reaction of some investors to the current global financial crisis has been to liquidate venture portfolios at whatever reduced prices they can obtain. Such a policy seems short sighted to your Board and one which would not best serve shareholders' interests especially in view of the special tax status applicable to the Company as a venture capital trust.

As required by the Articles of Association, shareholders will be asked at the next Annual General Meeting to consider a resolution on the continuation of the Company as a venture capital trust (a "Continuation Vote"). The Board believes many of our investors, in particular those that rolled over capital gains on their initial investment into one of the former Quester VCT's, would be significantly disadvantaged were the Company to cease to qualify as a VCT, by reason of winding up or otherwise. In such circumstances, some investors might find that their tax liabilities would exceed the exit proceeds available to them.

Accordingly, one principle of strategy that appears clear to your Board is that it will be in the best interests of shareholders to maintain the Company as a qualifying VCT. Your Board continues to review the strategic options for the Company which will not only include the investment focus and management of the portfolio but also how realisation proceeds and cash surpluses may best be returned to shareholders.

On the question of continued VCT qualification I am glad to report that on 30 June 2009 75.3% of total investments were in qualifying holdings. VCT legislation requires a minimum of 70% of total investments to be in such qualifying holdings and we will continue to monitor the position carefully.

Whilst your Board will be recommending that shareholders support the Continuation Vote, we have agreed with the Manager not to make any new venture investments, other than in exceptional circumstances, at least until the Continuation Vote has taken place. The Company will, however, continue to support its more promising investments with follow on funding where appropriate.

Dividends and Share Price

One of the obvious attractions of VCT investment is the possibility of tax free dividends and your Board is considering a policy of annual dividends, whether or not short term profits have been made, providing the Company has sufficient liquidity and distributable reserves. We will address this issue at the year end thus giving shareholders the opportunity to vote upon any dividend that may be recommended.

The Board is concerned about the extreme discount between net asset value and the share price available to those shareholders wishing to sell. We are not opposed in principle to share buy-backs but, for the immediate future, given the recessionary economic conditions and in order to enable resources to be concentrated on the development of existing portfolio companies, the Board will use this mechanism with caution. We will also examine other mechanisms of providing liquidity to shareholders.

Conclusion

Your Board is very conscious that shareholders have seen a substantial decline in the net asset value per share and in the quoted market share price over the last three years. This has been exacerbated by the current crisis in financial markets with M&A markets subdued and early stage companies struggling.

Nevertheless we believe that the future, whilst always uncertain, may offer more opportunities than are now evident and will be doing everything in our power to ensure the success of this Company.

We shall assiduously evaluate strategic alternatives and strive to adopt one that is in shareholders' best long term interests.

Robin Field
Chairman
21 August 2009

Directors' responsibility statement

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the Half-Yearly Financial Report have been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and

- the Chairman's statement includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year; and

- the condensed financial statements (note 8) includes a fair review of the information concerning related parties transactions as required by Disclosure and Transparency Rule 4.2.8R.

The half yearly financial report was approved by the Board on 21 August 2009 and the above responsibility statement was signed on its behalf by the Chairman.

Investment manager's report

Over the six months to 30 June 2009, members of the SPARK management team have continued to be focused on working with the portfolio companies, with a particular emphasis on cost control and rates of cash burn, against the background of the risk of slower than expected revenue growth and the reduced availability of venture capital finance.

Generally, the commercial performance of businesses within the portfolio has been "on plan" following the downward revision to expectations at the end of last year. Nevertheless, the economic and therefore funding environment continues to be very uncertain, with the result that all but one of the valuation movements have been downwards in the period. Of these downward revaluations, a substantial proportion by value have been triggered because valuation metrics generally are still declining in the capital markets – whether this is reflected in the refinancing terms or in comparable revenue/earnings multiples.

The more developed companies within the portfolio represent a reasonably stable base – in particular, **Elateral Holdings Limited**, **Imagesound Limited** and **Sift Group Limited**. Among the less established, early stage companies, however, more are currently obliged to operate in "survival" mode while others remain vulnerable to slower than expected sales growth and a consequent need for more capital than previously anticipated to support the market development phase.

Against this background, it is important that the Fund retains resources to continue developing the value of the more promising portfolio companies and to maintain its position in follow-on funding rounds.

With the M&A market effectively being closed, we continue to believe that achievement of significant profitable exits will not be possible before 2011 at the earliest. There were no realisations during the six months to 30 June 2009, although £225,000 was returned in cash by one of the portfolio companies, **Community Internet Europe Limited**, following the sale of a subsidiary.

In view of the above, and given the currently poor visibility on the generation of cash proceeds from realisations, no new investments were made during the six months to 30 June 2009.

Progress of investments

The six months to 30 June 2009 saw significant follow-on investment in two companies in the portfolio. Agreement was reached in two other cases for follow-on investment to be completed during the current quarter.

Company	Sector	£'000
Follow-on investments completed in the six months to 30 June 2009:		
Secerno Limited	TMT	202
Skinkers Limited	TMT	122
Other companies (2)		28
		352
Follow-on investments committed, for completion in the quarter to 30 September 2009:		
UniServity Limited	TMT	83
Vivacta Limited	Healthcare	142
		225

The additional funding of **Secerno Limited**, which specializes in the supply of software and appliances to protect against internal and external threats to databases, has been provided to support its market development phase. This followed an earlier follow-on round in mid-2008 but at a lower valuation (anticipated in the financial statements at 31 December 2008). **Skinkers Limited**, a software company delivering information broadcast solutions to large enterprises, faced a similar requirement for additional finance, as its sales cycle had been impacted by the downturn in the financial services sector. The Fund 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.

Looking ahead to the quarter ending 30 September 2009, in the case of **Vivacta Limited**, the Fund has committed its share of a new round, structured as an extension of the Series B round completed in November 2007, which it is expected will fund the company through to regulatory approval of the first of its point-of-care diagnostic tests, for TSH (thyroid function). The Fund has also agreed to provide bridge finance to **UniServity Limited** ahead of a third-party funding round being planned for later in the year.

Significant recent business developments within the portfolio are summarised below:

- **Elateral Limited**: had an excellent year to 31 March 2009 delivering 44% revenue growth, ahead of budgeted expectations. The company won a number of new customer contracts including Ciena, Linksys, NetApp, Toyota and Symantec. At the same time, it renewed and extended its relationship with a number of existing customers including SAP, Coca Cola and New Balance and celebrated its 10th year in partnership with British Telecom.

- **Imagesound Limited**: has seen sales on target for music services, but fallen behind on hardware sales. Nevertheless, margins have remained robust keeping the company profitable.

- **Isango! Limited**: an early stage online travel website company offering users an authoritative source of travel experiences such as holiday tours, sightseeing, attractions and activities, was impacted in autumn 2008 by the downturn in the travel sector. More recently, while revenues have improved somewhat and the company has recently launched its new website which broadens the range of its travel and holiday offering, growth continues to be slower than had been expected.

- **Sift Group Limited**: has performed solidly in anticipating revenues for the year ahead of 2008. However, margins have been squeezed and although profits are expected, they will be lower than the last year.

- **UniServity Limited**: is close to signing its first sales in the US market which would be a major step in the development of the business, particularly as the number of new contracts currently coming up for tender in the UK is low. The company is awaiting the results of a trial in China, following the framework agreement for the promotion of the company's web-based learning platform in that country.

In relation to **Gemini Holdings Limited**, the fresh milestones set by the SPARK management team (following the company's initial difficulties) were not met. The decision was therefore taken to provide no further support for this company and to seek to recover as much as possible of the cash invested.

Valuation changes

The valuations of the unquoted investments have been reviewed as at 30 June 2009 on the basis of the International Private Equity and Venture Capital Valuation Guidelines, having regard mainly to (i) prices of recent financing rounds and/or the terms of financing rounds expected in the relatively near future, (ii) earnings multiples and (iii) industry valuation benchmarks and/or M&A valuation criteria.

The net reduction in valuation of unquoted venture capital investments is as follows:

Company	£'000
Elateral Holdings Limited	207
Isango! Limited	(750)
Sift Group Limited	(731)
Skinkers Limited	(563)
We7 Limited	(408)
Others (2)	(114)
	(2,359)

In the case of Sift Group Limited, the valuation change reflects a general fall in comparable valuation measures given the current business and market conditions, rather than a dramatic deterioration in the business performance.

Among the early stage companies in the TMT sector, Skinkers Limited has recently raised additional finance at a lower valuation. The reductions in the valuations of Isango! Limited and We7 Limited have been made against the background of difficult trading in very tough markets and the upcoming requirement in each company to raise the next round of venture capital finance and the possibility that such finance will only be available on more stringent terms than hitherto.

The recent trading results of Elateral Holdings Limited have supported an upward revaluation of the investment on the basis of an earnings multiple.

Movements in valuation of the quoted venture capital investments over the six months produced a net reduction of £86,000 in the overall valuation of this portfolio.

Bond portfolio

During the half year the bond portfolio was reduced by £1.0 million upon the maturity of one of the holdings, the proceeds being reinvested in a global treasury fund.

Outlook

Progress will depend greatly on the return of more favourable conditions in the M&A markets, permitting the more mature investments in the portfolio to be sold when better valuations can be achieved. Meanwhile, the development of some of the early stage companies continues to be dependent on success in winning customer contracts and favourable conditions for the raising of additional venture capital to support the next phase of development, both of which requirements carry significant risks at the present time.

SPARK Venture Management Limited
Manager
21 August 2009

Fund summary as at 30 June 2009

	Industry sector	Cost (1) £'000	Valuation £'000	Equity % held	% of fund by value
Fifteen largest venture capital investments					
Elateral Holdings Limited	TMT	1,009	1,990	23.4%	7.4%
Imagesound plc	TMT	2,848	1,920	11.7%	7.1%
Sift Group Limited	TMT	2,395	1,518	21.1%	5.6%
Vivacta Limited	Healthcare	1,067	1,336	7.3%	5.1%
Cluster Seven Limited	TMT	1,569	1,197	9.0%	4.4%
UniServity Limited	TMT	1,000	1,000	16.5%	3.7%
Workshare Limited	TMT	695	909	1.9%	3.4%
Level Four Software Limited	TMT	855	855	7.8%	3.2%
Secerno Limited	TMT	1,180	841	6.9%	3.1%
Perpetuum Limited	TMT	686	585	7.0%	2.2%
Skinkers Limited	TMT	1,178	529	9.7%	2.0%
Haemostatix Limited	Healthcare	502	502	12.5%	1.9%
Antenova Limited	TMT	1,307	495	4.7%	1.8%
Lab M Holdings Limited (2)	Healthcare	690	440	26.8%	1.6%
We7 Limited	TMT	816	408	13.1%	1.5%
		17,797	**14,525**		**54.0%**
Other venture capital investments					
Isango! Limited	TMT	1,000	250	9.1%	0.9%
Community Internet Europe Limited	TMT	28	211	20.9%	0.8%
MediGene Ag *FRANKFURT*	Healthcare	316	174	0.1%	0.6%
Gemini Holdings Limited	Healthcare	455	163	12.8%	0.6%
Artisan Software Tools Limited (2)	TMT	120	120	28.4%	0.4%
Allergy Therapeutics plc *AIM*	Healthcare	772	119	0.3%	0.4%
Celldex Therapeutics, Inc. *NASDAQ*	Healthcare	625	101	0.2%	0.4%
Teraview Limited	Healthcare	1,172	100	4.8%	0.4%
Other investments: valuations less than £100,000 (2)		481	279		1.0%
		4,969	**1,517**		**5.5%**
Total venture capital investments		**22,766**	**16,042**		**59.5%**
Total unquoted venture capital investments		20,758	15,533		57.7%
Total quoted venture capital investments		2,008	509		1.8%
		22,766	**16,042**		**59.5%**
Listed fixed interest investments		1,854	1,881		7.0%
Total investments		**24,620**	**17,923**		**66.5%**
Cash and other net assets		8,998	8,998		33.5%
Net assets		**33,618**	**26,921**		**100.0%**

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

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

Condensed financial statements (unaudited)

Income Statement

		Six months to 30 June 2009 (unaudited)			Six months to 30 June 2008 (unaudited)			Twelve months to 31 December 2008 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on revaluation of investments at fair value through profit or loss	3	**–**	**(2,462)**	**(2,462)**	–	(1,084)	(1,084)	–	(2,862)	(2,862)
Gain/(loss) on disposal of investments at fair value through profit or loss	3	**–**	**60**	**60**		348	348	–	(292)	(292)
Income		**131**	**–**	**131**	458	–	458	784	–	784
Recoverable VAT		**–**	**–**	**–**	–	–	–	322	–	322
Investment management fee:										
annual fee		**(288)**	**–**	**(288)**	(448)	–	(448)	(734)	–	(734)
performance incentive fee		**–**	**–**	**–**	(1,040)		(1,040)	(1,040)		(1,040)
Other expenses		**(195)**	**–**	**(195)**	(216)	–	(216)	(415)	–	(415)
Loss on ordinary activities before taxation		**(352)**	**(2,402)**	**(2,754)**	(1,246)	(736)	(1,982)	(1,083)	(3,154)	(4,237)
Tax on loss on ordinary activities		**–**	**–**	**–**	–	–	–	–	–	–
Loss on ordinary activities after taxation		**(352)**	**(2,402)**	**(2,754)**	(1,246)	(736)	(1,982)	(1,083)	(3,154)	(4,237)
Basic and fully diluted loss per share	4	**(0.3)p**	**(2.2)p**	**(2.5)p**	(1.1)p	(0.7)p	(1.8)p	(0.9)p	(2.8)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 columns 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.

The accompanying notes are an integral part of this statement.

Balance sheet

	Notes	30 June 2009 (unaudited) £'000	31 December 2008 (audited) £'000	30 June 2008 (unaudited) £'000
Fixed assets				
Investments at fair value through profit or loss	5	**17,923**	21,333	29,405
Current assets				
Debtors		**1,747**	1,936	1,535
Cash at bank		**7,618**	6,965	5,767
		9,365	8,901	7,302
Creditors: amounts falling due within one year		**(367)**	(503)	(4,481)
Net current assets		**8,998**	8,398	2,821
Net assets		**26,921**	29,731	32,226
Capital and reserves				
Called-up equity capital		**5,538**	5,553	5,608
Share premium account		**150**	150	150
Capital redemption reserve		**746**	731	676
Special reserve		**23,068**	23,751	25,272
Investment holding losses		**(6,697)**	(4,842)	(2,931)
Profit and loss account		**4,116**	4,388	3,451
Total equity shareholders' funds		**26,921**	29,731	32,226
Net asset value per share	6	**24.3p**	26.8p	28.7p

The accompanying notes are an integral part of this statement.

Condensed financial statements (unaudited) (cont.)

Cash flow statement

	Notes	Six months to 30 June 2009 (unaudited) £'000	Twelve months to 31 December 2008 (audited) £'000	Six months to 30 June 2008 (unaudited) £'000
Net cash outflow from operating activities	7	**(299)**	(2,564)	(104)
Financial investment				
Purchase of venture capital investments		**(352)**	(3,299)	(2,429)
Purchase of listed equity and fixed interest investments		**–**	(1,488)	(1,490)
Sale of venture capital investments		**280**	7,928	6,038
Sale/redemption of listed equity and fixed interest investments		**1,000**	8,269	2,253
Amounts recovered from investments previously written off		**80**	410	410
Total net financial investment		**1,008**	11,820	4,782
Equity dividends paid		**–**	(3,135)	–
Financing				
Buy-back of ordinary shares		**(56)**	(573)	(328)
Increase in cash for the period		**653**	5,548	4,350
Reconciliation of net cash flow to movement in net funds				
Increase in cash for the period		**653**	5,548	4,350
Net funds at the start of the period		**6,965**	1,417	1,417
Net funds at the end of the period		**7,618**	6,965	5,767

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

Six months to 30 June 2009	Share capital £'000	Share premium account £'000	Capital redemp-tion reserve £'000	Special reserve £'000	Investment holding losses £'000	Profit and loss account £'000	Total £'000
At 1 January 2009	5,553	150	731	23,751	(4,842)	4,388	29,731
Shares purchased for cancellation	(15)	–	15	(56)	–	–	(56)
Realisation of prior years' net losses on investments	–	–	–	–	607	(607)	–
Transfer from special reserve to profit and loss account	–	–	–	(627)	–	627	–
Net loss on revaluation of investments	–	–	–	–	(2,462)	2,462	–
Loss on ordinary activities after taxation	–	–	–	–	–	(2,754)	(2,754)
Dividends	–	–	–	–	–	–	–
At 30 June 2009	**5,538**	**150**	**746**	**23,068**	**(6,697)**	**4,116**	**26,921**
Twelve months to 31 December 2008							
At 1 January 2008	5,673	150	611	27,615	945	2,682	37,676
Shares purchased for cancellation	(120)	–	120	(573)	–	–	(573)
Realisation of prior years' net gains on investments	–	–	–	–	(3,884)	3,884	–
Transfer from special reserve to profit and loss account	–	–	–	(3,291)	-	3,291	–
Net loss on revaluation of investments	–	–	–	–	(1,903)	1,903	–
Loss on ordinary activities after taxation	–	–	–	–	–	(4,237)	(4,237)
Dividends	–	–	–	–	–	(3,135)	(3,135)
At 31 December 2008	**5,553**	**150**	**731**	**23,751**	**(4,842)**	**4,388**	**29,731**
Six months to 30 June 2008							
At 1 January 2008	5,673	150	611	27,615	945	2,682	37,676
Shares purchased for cancellation	(65)	–	65	(328)	–	–	(328)
Realisation of prior years' net gains on investments	–	–	–	–	(3,429)	3,429	–
Transfer from special reserve to profit and loss account	–	–	–	(2,015)	-	2,015	–
Net loss on revaluation of investments	–	–	–	–	(447)	447	–
Loss on ordinary activities after taxation	–	–	–	–	–	(1,982)	(1,982)
Dividends	–	–	–	–	–	(3,140)	(3,140)
At 30 June 2008	**5,608**	**150**	**676**	**25,272**	**(2,931)**	**3,451**	**32,226**

The accompanying notes are an integral part of this statement.

Notes

1 The financial information contained in this Half-Yearly Financial Report has been prepared in accordance with the Statement of Recommended Practise (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' and in accordance with the accounting policies set out in the Annual Report for the year ended 31 December 2008. As a change to the presentation previously adopted in the Annual Report, the results for the half-year are presented in the form of an Income statement in three columns, "Revenue", "Capital" and "Total", instead of a single column profit and loss account. The revaluation reserve has been renamed "Investment holding losses". Additionally, note 2 states the amount of the total reserves of the Company that is available for distribution by way of a dividend.

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

2 The total reserves available for distribution by way of a dividend is £20,487,000 (31 December 2008: £23,297,000, 30 June 2008 £25,792,000), being made up of the Special reserve, Investment Holding losses and Profit and Loss account.

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

	Six months to 30.06.09 (unaudited) £'000	Six months to 30.06.08 (unaudited) £'000	Twelve months to 31.12.08 (audited) £'000
Net loss on disposal	(20)	(62)	(702)
Recoveries made in respect of investments previously written off	80	410	410
Write-off of investments	–	(637)	(959)
Net loss on revaluation of investments	(2,462)	(447)	(1,903)
	(2,402)	(736)	(3,154)

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

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

4 The revenue loss per share of 0.3p (31 December 2008: loss 0.9p and 30 June 2008: loss 1.1p) is based on the revenue loss on ordinary activities after tax of £352,000 (31 December 2008: loss £1,083,000 and 30 June 2008: loss £1,246,000) and on the weighted average number of ordinary shares in issue during the period of 110,781,028 (31 December 2008: 112,145,822 and 30 June 2008: 112,759,987).

The capital loss per share of 2.2p (31 December 2008: loss 2.8p and 30 June 2008: loss 0.7p) is based on the capital loss on ordinary activities after tax of £2,402,000 (31 December 2008: loss £3,154,000 and 30 June 2008: loss £736,000) and on the weighted average number of ordinary shares in issue during the period of 110,781,028 (31 December 2008: 112,145,822 and 30 June 2008: 112,759,987).

The total loss per share of 2.5p (31 December 2008: loss 3.7p and 30 June 2008: loss 1.8p) is based on the loss on ordinary activities after tax of £2,754,000 (31 December 2008: loss £4,237,000 and 30 June 2008: loss £1,982,000) and on the weighted average number of ordinary shares in issue during the period of 110,781,028 (31 December 2008: 112,145,822 and 30 June 2008: 112,759,987).

5 Movements in investments during the six months ended 30 June 2009 are as follows:

	Venture capital investments £'000	Bonds £'000	Total £'000
Cost at 1 January 2009	23,321	2,854	26,175
Net loss/gain 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	352	–	352
Disposals			
– proceeds	(280)	(1,000)	(1,280)
– net losses on disposal	(20)	–	(20)
Net loss on revaluation of investments	(2,445)	(17)	(2,462)
Valuation at 30 June 2009	16,042	1,881	17,923
Book cost at 30 June 2009	22,766	1,854	24,620
Net (loss)/gain at 30 June 2009	(6,724)	27	(6,697)
Valuation at 30 June 2009	16,042	1,881	17,923

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

6 The net asset value per share as at 30 June 2009 of 24.3p (31 December 2008: 26.8p and 30 June 2008: 28.7p) is based on net assets of £26,921,000 (31 December 2008: £29,731,000 and 30 June 2008: £32,226,000) divided by the 110,761,138 ordinary shares in issue as at that date (31 December 2008: 111,061,138 and 30 June 2008: 112,157,948).There is no dilution effect as at 30 June 2009 (31 December 2008: nil and 30 June 2008: nil).

7 Reconciliation of operating loss to cash flow from operating activities for the period is as follows:

	Six months to 30.06.09 (unaudited) £'000	Twelve months to 31.12.08 (audited) £'000	Six months to 30.06.08 (unaudited) £'000
Loss on ordinary activities	(2,754)	(4,237)	(1,982)
Loss on investments at fair value through profit or loss	2,402	3,154	736
Decrease/(increase) in debtors	189	(1,759)	17
(Decrease)/increase in creditors	(136)	291	1,129
Amortisation of fixed interest investments	–	(13)	(4)
Net cash outflow from operating activities	(299)	(2,564)	(104)

8 Spark Investors Limited (a fellow subsidiary of the Manager), of which AB Carruthers is a director, may from time to time be eligible to receive transaction fees and/or directors' fees from investee companies. During the period to 30 June 2009, fees of £13,000 attributable to the investments of the Company were received pursuant to these arrangements (year ended 31 December 2008: £31,000, period to 30 June 2008: £22,000).

During the six months to 30 June 2008 there were no transactions by Directors in shares of companies in which the Company has invested (31 December 2008: none; 30 June 2008 none).

Notes (cont.)

9 This Half Yearly Financial Report has been neither audited nor reviewed by the Company's auditors and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the period ended 31 December 2008 have been delivered to the Registrar of Companies and received an audit report which was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain any statements under Section 498(2) and (3) of the Companies Act 2006.

10 Interim management statements relating to the first and third quarters of the financial year will be released via the Regulatory News Service on or shortly before 18 May and 18 November each year.

11 Copies of the half yearly financial report are expected to be sent to shareholders on 25 August 2009. Further copies can be obtained from the Company's registered office and on the Company's website.