

VCT

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Half Yearly Report

Financial highlights

Per ordinary share (pence)	30.06.10	31.12.09	30.06.09
Net asset value	18.8	22.7	24.3
Dividends			
Dividend paid ⁽¹⁾	4.0	-	-
Cumulative dividend ⁽²⁾	57.7	53.7	53.7
Total return ⁽³⁾			
SPARK VCT plc	76.5	76.4	78.0
Return including tax benefits ⁽⁶⁾	96.5	96.4	98.0
Total return to former shareholders of:			
Quester VCT 2 plc per 100p invested in shares of that company ⁽⁴⁾	62.3	62.3	63.9
Return including tax benefit ⁽⁶⁾	82.3	82.3	83.9
Quester VCT 3 plc per 100p invested in shares of that company ⁽⁵⁾	36.3	36.1	37.7
Return including tax benefit ⁽⁶⁾	56.3	56.1	57.7

(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 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 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 an interim dividend of 1.0 pence per share for the year ending 31 December 2010.

The Interim management report comprises the Chairman's statement, the Investment manager's report, the Fund summary and note 9 to the condensed financial statements.

Chairman's statement

Introduction

The economic uncertainty that has unsettled financial and commercial markets since the summer of 2008 continues to make conditions very difficult for small companies and particularly so for early stage technology companies. While there are early indications that the UK is emerging from its longest recession in recent history the strength of recovery remains fragile and investor sentiment nervous. The UK banks are beginning to emerge from the crisis which engulfed them but bank funding and credit facilities for small, early stage companies still remain extremely difficult to obtain. Nevertheless, there are some signs that, as a result of the various Government initiatives and improvements in the wider UK and global economies, trade buyers are beginning to regain confidence. Our new strategy of realising existing investments and moving towards relatively lower risk investment opportunities should benefit from these trends.

Performance

Net assets per share, before the payment of the 4p final dividend for the year ended 31 December 2009, moved ahead marginally from 22.7p on 31 December 2009 to 22.8p on 30 June 2010. This is the first positive movement in net assets that the Company has experienced since 2007.

Against the background of continuing difficult markets, it is encouraging to report that in June 2010 the Company was able to sell its investment in Secerno Limited to Oracle Corporation at a gain of £655,000 over its carrying value. Cash proceeds received to date amount to £917,000 net of transaction and warranty claim insurance costs. In addition, a further £293,000 is being held in escrow against potential warranty claims and is due to be released to the Company in June 2012. As a result of this transaction, the Company recorded a post tax profit for the six months to 30 June 2010 of £101,000. This compares to a loss in the equivalent period last year of £2.8 million and a loss of £4.6 million in the full year to 31 December 2009.

No new investments were made during the period under review, but two modest follow on investments were made to businesses from which worthwhile exits are anticipated. A secured loan of £143,000 was advanced on attractive interest terms to Sift Group Limited ("Sift"), as part of a £800,000 debt facility from shareholders and a £400,000 facility from its bankers. These funds have been applied to the acquisition of an adjacent business, which is expected to contribute to Sift's profitable growth and increase the probability of a satisfactory sale in the medium term.

A further £25,000 investment in preferred investment stock was made alongside the management of Haemostatix Limited to support the business while discussions continue with potential trade partners.

We have continued to monitor the performance of all underlying investments closely and have made an additional provision of £167,000 against the investment in We7 Limited. This is in anticipation that the company will need to raise further funds and that, in current market conditions, this may be at a discount to the last investment round.

In our small AIM quoted portfolio, the holding in Vernalis plc has been disposed of for net cash proceeds of £30,000, a loss of £35,000 on its carrying value at 31 December 2009. A part disposal of Celldex Therapeutics, Inc produced net proceeds of £26,000 and a gain of £11,000. The three remaining AIM investments have been marked down by the market by an aggregate £82,000.

Despite these adverse movements, it is encouraging that the value of the portfolio overall has stabilized and that a long-standing investment (the initial investment in Secerno was made in 2007) has been brought to trade sale.

Nevertheless, the Board remains very conscious that the Company's performance in the long term has been far from satisfactory and is actively exploring a range of options to enhance shareholders' interests. The Board hopes to be in a position to inform shareholders of these opportunities more fully in the near future.

As part of our efforts to reduce costs, the Board has taken the decision to release the half yearly results electronically through the stock market and on the Company's website rather than in hard copy.

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 2009	14,870	10,160	25,030	22.7
Net gain on disposal of investments	631	24	655	0.6
Net loss on revaluation of investments	(249)	-	(249)	(0.2)
Income	-	108	108	0.1
Operating expenses	-	(413)	(413)	(0.4)
Net investment	(1,098)	1,098	-	-
Net assets before dividends and share buybacks	14,154	10,977	25,131	22.8
Dividend paid	-	(4,430)	(4,430)	(4.0)
Share buybacks	-	-	-	-
Net asset value at 30 June 2010	14,154	6,547	20,701	18.8

Dividends

Following the disposal of Secerno Limited and other realisations, the Board has approved an interim dividend per share of 1p (2009: nil) to be payable on 24 September 2010 to shareholders on the register at 27 August 2010.

Summary

This has proved a more satisfactory period for your Company. The improving market conditions and successful disposal of Secerno indicate that more exit opportunities may be available in the medium term. The Board, however, remains very conscious that a change of approach is necessary and is actively seeking to progress this.

Robin Field
Chairman
 12 August 2010

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 interim management report 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 9) 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 12 August 2010 and the above responsibility statement was signed on its behalf by the Chairman.

Investment manager's report

Over the half year to 30 June 2010 the activity of the Investment Manager has been conducted against the background of the new strategy agreed with the Board at the beginning of the year and summarised in the Chairman's statement in the last annual report.

The key points of strategy in terms of investment management are:

- in the current economic climate, fresh investment in early stage venture capital investments, of a type similar to the majority of the companies in SPARK VCT's existing portfolio, is no longer considered to present an appropriate investment for VCT shareholders;
- the Company's existing portfolio investments should be realised as soon as they mature and suitable exits are achievable: it is acknowledged that this is likely to take several years and that some highly selective follow-on funding may be required where it is possible to enhance realisation prospects;
- 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 should 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.

In considering the above strategy it is recognised that the current portfolio does contain businesses of promise and that there are expected to be opportunities for profitable realisations.

Realisations

During the half year significant steps have been taken in the implementation of this strategy, in particular towards the realisation of existing portfolio investments, and we are pleased to report the sale of **Secerno Limited**. This Oxford-based data security business has been sold to Oracle Corporation in a transaction completed in June – this has produced proceeds of £1,210,000 (including a proportion retained in escrow), against a carrying value at 31 December 2009 of £555,000, resulting in a profit in the half year to 30 June 2010 of £655,000.

The opportunity has also been taken to realise cash from certain of the quoted venture capital investments, with the sale of the entire holding in **Vernalis plc** and part of the holding in **Celldex Therapeutics, Inc**. Overall, proceeds generated from these transactions, together with certain other cash recoveries, have totalled £1,368,000 in the half year to 30 June 2010.

These realisations have enabled the Board to declare an interim dividend of 1.0p per share.

Progress of investments

In the Business review in the last annual report we analysed SPARK VCT's venture capital investments into three categories: "maturing" venture capital investments, "developing" venture capital investments and "early stage" investments. Following the realisations referred to above, the proportions that investments in each category represent in the venture capital portfolio by valuation at 30 June 2010 are as follows:

Investment manager's report (cont.)

Percent. of venture capital portfolio by valuation

"Maturing" venture capital investments:

companies with stable and growing revenue streams, achieving profitable trading or very close to it, and with stable cash positions

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

59.9%

"Developing" venture capital investments:

companies with developed business models and growing revenue streams, though still facing uncertainties, and breaking through into cash-flow positive trading

examples: Antenova Limited, Cluster Seven Limited, Level Four Software Limited

19.3%

"Early stage" investments:

companies still establishing their business model or, in the case of businesses in the life sciences sector, still at the product development stage

examples: Academia Networks Limited, Haemostatix Limited, Isango! Limited, Perpetuum Limited, Vivacta Limited, We7 Limited

20.8%

The percentage of the venture capital portfolio now represented by "maturing" venture capital investments provides a reasonably stable base to the portfolio and means that the net asset value of SPARK VCT is much less exposed than previously to the risks associated with early stage investment.

Significant recent business developments within the portfolio are summarised below:

- **Elateral Limited** had another very successful year to 31 March 2010 delivering 17% revenue growth and a substantial improvement in EBITDA margin. New client wins for the year included NetApp and major customers Coca Cola and SAP renewed their contracts, taking additional services and territorial licences at the same time.
- **Imagesound Limited:** after a satisfactory year to 31 December 2009 has continued to perform close to budget on revenues in its current financial year and ahead on EBITDA, remaining profitable and cash generative despite a difficult trading environment.
- **Level Four Software Limited** has seen sales growth of 35% in its year to 30 June 2010 and has reached profitability: it continues to show impressive growth in the range of its customer contacts within the banking industry for its ATM testing tools business, and potential for further expansion both geographically and into other sectors.
- **Sift Group Limited** is delivering revenues above last year and forecasting further growth and improved profitability for the year as a whole.
- **UniServity Limited:** following management changes towards the end of last year and a dramatic reduction in the cost base, financial performance has significantly improved. Sales have remained ahead of budget despite uncertainty about policy changes and public procurement following the change of Government, and profitability is now strong and consistent. After a successful launch of the 'parent portal' product, resources are now being concentrated on completing the build of a new technology platform ready for launch at the beginning of the new year.
- **Workshare Limited** continues to enjoy very high market penetration in the legal IT market for its document comparison software. New management has undertaken some significant restructuring, with a particular focus on the sales model and distribution network, reducing the overall level of operating cost and improving profitability, while the company maintains a robust cash position.

Follow-on funding provided to existing portfolio companies in the half year has been limited to a total of £168,000, including £143,000 advanced to Sift Group Limited in a loan instrument with an attractive coupon (alongside the company's management and SPARK's syndicate partner) to provide additional working capital and £25,000 to Haemostatix Limited to support product development.

Against the background of the overall strategy for SPARK VCT referred to above, and with the growing maturity of some of the key investments, members of the SPARK management team are increasingly focused on working with portfolio company managements on positioning the companies as attractive acquisition candidates for major corporates. A number of the companies are now reaching the stage at which a transaction of this type can realistically be planned for some time over the next two years, enabling the businesses concerned to be taken forward to the next stage of growth under new ownership and achieving cash realisations for SPARK VCT.

Subject to no deterioration in business and financial conditions, we expect to be able to announce a number of positive developments in this respect by the date of release of the annual report.

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 30 June 2010.

Given the profitable exit from Secerno, the portfolio has recorded a positive result for the half year, after operating costs have been deducted. The movement on other investments has shown a downward revaluation of £249,000, of which £167,000 was in respect of one of the early stage investments and £82,000 was in respect of quoted venture capital investments.

Principal risks and uncertainties

As a Venture Capital Trust the Company invests in unquoted and AIM-traded UK companies in accordance with its investment policy. In addition to its venture capital portfolio, the Company maintains liquidity balances in the form of cash held for follow-on financing and new venture capital investment and debtors and creditors that arise directly from its operations. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a VCT, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the ways in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 31 December 2009. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Outlook

Earlier evidence of an improving M&A market is confirmed not only by the transactions completed by SPARK VCT in the year to date but also by transactions seen elsewhere, with major corporates looking for growth now clearly interested in strategic acquisition opportunities among venture-backed companies.

As long as business and financial conditions remain stable, we believe that opportunities should emerge during the remainder of the current year and over 2011 and 2012 for significant realisations and the extraction of value for SPARK VCT shareholders.

This will enable both the distribution of substantial amounts of cash by way of dividend and a start to be made on a programme of investment in new qualifying investments: in line with the new strategy, this will be focused on companies more advanced in their development and representing relatively lower risk opportunities.

SPARK Venture Management Limited

Manager

12 August 2010

Fund summary as at 30 June 2010

	Industry sector	Accounting Cost ⁽¹⁾ £'000	Valuation £'000	Equity % held	% of fund by value
Fifteen largest venture capital investments					
Elatel Holdings Limited ⁽²⁾	TMT	1,009	1,990	23.4%	9.6%
Imagesound plc	TMT	2,848	1,920	11.7%	9.3%
Sift Group Limited	TMT	2,658	1,782	21.1%	8.6%
UniServity Limited	TMT	1,208	1,208	16.5%	5.8%
Cluster Seven Limited	TMT	1,569	1,197	9.0%	5.8%
Vivacta Limited	Healthcare	1,210	1,145	7.3%	5.5%
Workshare Limited	TMT	695	928	1.9%	4.5%
Level Four Software Limited	TMT	855	855	7.8%	4.1%
Haemostatix Limited	Healthcare	527	527	12.5%	2.5%
Lab M Holdings Limited ⁽²⁾	Healthcare	690	440	26.8%	2.1%
Antenova Limited	TMT	1,307	343	4.7%	1.7%
Academia Networks Limited	TMT	103	280	4.1%	1.4%
Isango! Limited	TMT	1,000	250	9.1%	1.2%
Perpetuum Limited	TMT	686	228	7.0%	1.1%
Community Internet Group Limited ⁽²⁾	TMT	28	211	20.9%	1.0%
		16,393	13,304		64.2%
Other venture capital investments					
We7 Limited	TMT	816	167	13.1%	0.8%
Atego Limited (formerly Artisan) ⁽²⁾	TMT	120	120	12.0%	0.6%
Symetrica Limited	TMT	108	114	2.4%	0.6%
MediGene AG <small>FRANKFURT</small>	Healthcare	316	107	0.1%	0.5%
TeraView Limited	Healthcare	1,172	100	4.8%	0.5%
Other investments: valuations less than £100,000 (4 investments)		2,660	242		1.2%
		5,192	850		4.2%
Total venture capital investments		21,585	14,154		68.4%
Total unquoted venture capital investments		19,992	13,886		67.1%
Total quoted venture capital investments		1,593	268		1.3%
Total investments		21,585	14,154		68.4%
Cash and other net assets		6,547	6,547		31.6%
Net assets		28,132	20,701		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 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 ⁽²⁾ by amounts written off as representing an impairment in value.

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

Condensed financial statements (unaudited)

Income Statement

	Notes	Six months to 30 June 2010 (unaudited)			Six months to 30 June 2009 (unaudited)			Year to 31 December 2009 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on valuation of investments at fair value through profit or loss	3	-	(249)	(249)	-	(2,462)	(2,462)	-	(3,933)	(3,933)
Gain/(loss) on disposal of investments at fair value through profit or loss	3	-	655	655	-	60	60	-	(40)	(40)
Income		108	-	108	131	-	131	241	-	241
Investment management fee		(243)	-	(243)	(288)	-	(288)	(549)	-	(549)
Other expenses		(170)	-	(170)	(195)	-	(195)	(342)	-	(342)
Profit/(loss) on ordinary activities before taxation		(305)	406	101	(352)	(2,402)	(2,754)	(650)	(3,973)	(4,623)
Tax on profit/(loss) on ordinary activities		-	-	-	-	-	-	-	-	-
Profit/(loss) on ordinary activities after taxation		(305)	406	101	(352)	(2,402)	(2,754)	(650)	(3,973)	(4,623)
Basic and fully diluted earnings/(loss) per share	4	(0.3)p	0.4p	0.1p	(0.3)p	(2.2)p	(2.5)p	(0.6)p	(3.6)p	(4.2)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 disclosed in the income statement of the Company.

The accompanying notes are an integral part of this statement.

Condensed financial statements (unaudited) (cont.)

Balance sheet

	Notes	30 June 2010 (unaudited) £'000	31 December 2009 (audited) £'000	30 June 2009 (unaudited) £'000
Fixed assets				
Investments at fair value through profit or loss	6	14,154	15,873	17,923
Current assets				
Debtors		761	457	1,747
Cash at bank		6,150	8,900	7,618
		6,911	9,357	9,365
Creditors: amounts falling due within one year		(364)	(200)	(367)
Net current assets		6,547	9,157	8,998
Net assets		20,701	25,030	26,921
Capital and reserves				
Called-up equity capital		5,519	5,519	5,538
Share premium account		150	150	150
Capital redemption reserve		765	765	746
Special reserve		21,524	22,685	23,068
Investment holding losses		(7,431)	(7,941)	(6,697)
Profit and loss account		174	3,852	4,116
Total equity shareholders' funds		20,701	25,030	26,921
Net asset value per share	7	18.8p	22.7p	24.3p

The accompanying notes are an integral part of this statement.

Cash flow statement

	Notes	Six months to 30 June 2010 (unaudited) £'000	Year to 31 December 2009 (audited) £'000	Six months to 30 June 2009 (unaudited) £'000
Cash (outflow)/inflow from operating activities	8	(445)	529	(299)
Financial investment				
Purchase of venture capital investments		(168)	(854)	(352)
Sale of venture capital investments		1,266	396	280
Sale/redemption of listed fixed interest investments		1,000	1,850	1,000
Amounts recovered from investments previously written off		27	92	80
Total net financial investment		2,125	1,484	1,008
Equity dividends paid	5	(4,430)	-	-
Financing				
Buyback of ordinary shares		-	(78)	(56)
(Decrease)/increase in cash for the period		(2,750)	1,935	653
Reconciliation of net cash flow to movement in net funds				
(Decrease)/increase in cash for the period		(2,750)	1,935	653
Net funds at the start of the period		8,900	6,965	6,965
Net funds at the end of the period		6,150	8,900	7,618

The accompanying notes are an integral part of this statement.

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

Condensed financial statements (unaudited) (cont.)

Reconciliation of movements in shareholders' funds

	Called-up equity 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
Six months to 30 June 2010							
At 1 January 2010	5,519	150	765	22,685	(7,941)	3,852	25,030
Shares purchased for cancellation	-	-	-	-	-	-	-
Realisation of prior years' net unrealised losses on investments	-	-	-	-	759	(759)	-
Transfer from special reserve to profit and loss account	-	-	-	(1,161)	-	1,161	-
Investment holding loss on valuation of investments	-	-	-	-	(249)	249	-
Profit on ordinary activities after taxation	-	-	-	-	-	101	101
Dividends	-	-	-	-	-	(4,430)	(4,430)
At 30 June 2010	5,519	150	765	21,524	(7,431)	174	20,701
Year to 31 December 2009							
At 1 January 2009	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
Six months to 30 June 2009							
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 unrealised losses on investments	-	-	-	-	607	(607)	-
Transfer from special reserve to profit and loss account	-	-	-	(627)	-	627	-
Investment holding loss on valuation 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

The accompanying notes are an integral part of this statement.

Notes

- The Financial Statements have been prepared under the historical cost convention, except for the measurement at fair value of investments, and in accordance with applicable UK accounting standards and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009.
- The total reserves available for distribution by way of a dividend is £14,267,000 (31 December 2009: £18,596,000; 30 June: 2009 £20,487,000), being made up of the Special reserve and Profit and loss account less Investment holding losses.
- The overall gain/(loss) on investments at fair value through profit or loss disclosed in the profit and loss account is analysed as follows:

	Six months to 30.06.10 (unaudited) £'000	Six months to 30.06.09 (unaudited) £'000	Year to 31.12.09 (audited) £'000
Loss on valuation of investments at fair value through profit or loss:			
Net loss on valuation of investments	(249)	(2,462)	(3,933)
Write-off of investments	-	-	-
	(249)	(2,462)	(3,933)
Gain/(loss) on disposal of investments at fair value through profit or loss:			
Net gain/(loss) on disposal	628	(20)	(132)
Recoveries made in respect of investments previously written off	27	80	92
	655	60	(40)
	406	(2,402)	(3,973)

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

- The revenue loss per share of 0.3p (31 December 2009: loss 0.6p and 30 June 2009: loss 0.3p) is based on the revenue loss on ordinary activities after tax of £305,000 (31 December 2009: loss £650,000 and 30 June 2009: loss £352,000) and on the weighted average number of ordinary shares in issue during the period of 110,370,134 (31 December 2009: 110,631,989 and 30 June 2009: 110,781,028).

The capital profit per share of 0.4p (31 December 2009: loss 3.6p and 30 June 2009: loss 2.2p) is based on the capital profit on ordinary activities after tax of £406,000 (31 December 2009: loss £3,973,000 and 30 June 2009: loss £2,402,000) and on the weighted average number of ordinary shares in issue during the period of 110,370,134 (31 December 2009: 110,631,989 and 30 June 2009: 110,781,028).

The total profit per share of 0.1p (31 December 2009: loss 4.2p and 30 June 2009: loss 2.5p) is based on the profit on ordinary activities after tax of £101,000 (31 December 2009: loss £4,623,000 and 30 June 2009: loss £2,754,000) and on the weighted average number of ordinary shares in issue during the period of 110,370,134 (31 December 2009: 110,631,989 and 30 June 2009: 110,781,028).

Condensed financial statements (unaudited) (cont.)

Notes (cont.)

5 Dividends

	Six months to 30.06.10 (unaudited) £'000	Six months to 30.06.09 (unaudited) £'000	Year to 31.12.09 (audited) £'000
Final dividend paid, period ended 31 December 2009: 4.0p per share paid 11 June 2010	4,430	-	-

The Directors propose an interim dividend of 1.0 pence per share for the year ended 31 December 2010.

6 Movements in investments during the six months ended 30 June 2010 are as follows:

	Venture capital investments £'000	Listed fixed interest investments £'000	Total £'000
Cost at 1 January 2010	22,814	1,000	23,814
Investment holding (losses)/gains at 1 January 2010	(7,944)	3	(7,941)
Valuation at 1 January 2010	14,870	1,003	15,873
Movements in the period:			
Purchases at cost	168	-	168
Disposals			
- proceeds	(1,266)	(1,000)	(2,266)
- net gains/(losses) on disposal	631	(3)	628
Net loss on valuation of investments	(249)	-	(249)
Valuation at 30 June 2010	14,154	-	14,154
Book cost at 30 June 2010	21,585	-	21,585
Investment holding losses at 30 June 2010	(7,431)	-	(7,431)
Valuation at 30 June 2010	14,154	-	14,154

Amounts shown as 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.

7 The net asset value per share as at 30 June 2010 of 18.8p (31 December 2009: 22.7p and 30 June 2009: 24.3p) is based on net assets of £20,701,000 (31 December 2009: £25,030,000 and 30 June 2009: £26,921,000) divided by the 110,370,141 ordinary shares in issue as at that date (31 December 2009: 110,370,141 and 30 June 2009: 110,761,138). There is no dilution effect as at 30 June 2010 (31 December 2009: nil and 30 June 2009: nil).

Notes (cont.)

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

	Six months to 30.06.10 (unaudited) £'000	Year to 31.12.09 (audited) £'000	Six months to 30.06.09 (unaudited) £'000
Profit/(loss) on ordinary activities before tax	101	(4,623)	(2,754)
(Gain)/loss on investments at fair value through profit or loss	(406)	3,973	2,402
(Increase)/decrease in debtors	(304)	1,479	189
Increase/(decrease) in creditors	164	(303)	(136)
Amortisation of fixed interest investments	-	3	-
Cash (outflow)/inflow from operating activities	(445)	529	(299)

9 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 2010, fees of £18,000 attributable to the investments of the Company were received pursuant to these arrangements (year ended 31 December 2009: £26,000, period to 30 June 2009: £13,000).

During the six months to 30 June 2010 there were no transactions by Directors in shares of companies in which the Company has invested (31 December 2009: none; 30 June 2009 none).

10 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 2009 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.

11 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.

Notes



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